

The office offshored

Remote working success could come back to bite US — SARAH O'CONNOR, PAGE 17

Ahead of the curve

Lessons from Japan's decades of 'stagflation' — NEW FT SERIES, PAGE 15



Breaking point

Biden must reject Trump's faith in rising stocks — MOHAMED EL-ERIAN, PAGE 11

Festive cheer
UK relaxation
lights up sales

A Christmas tree is dragged to a netting machine in York, England, yesterday as early orders flood in across garden centres and farm shops after the UK government reclassified those selling festive firs as essential retailers.

Despite coronavirus still spreading throughout the country, Boris Johnson has confirmed that England's national lockdown will end on December 2. But while the prime minister's new "winter plan", which is set to last until spring, will allow non-essential shops to reopen in the run-up to Christmas across England, pubs and restaurants will remain closed in the worst-affected tier-3 areas, except for takeaways.

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Notebook page 16



Ian Forsyth/Getty Images

Oxford and AstraZeneca vaccine adds to armoury for Covid battle

◆ Trials data better than expected ◆ 'Immediate' approval sought ◆ Jab to be sold at cost

DONATO PAOLO MANCINI AND CLIVE COOKSON — LONDON

The coronavirus vaccine developed by Oxford university and AstraZeneca has delivered better than expected result in late-stage trials, boosting hopes that the pandemic can be defeated.

The new vaccine will be submitted for regulatory approval "immediately". Matt Hancock, the UK's health secretary, said that vaccinations could start next month, subject to regulatory approval, with the bulk of the rollout taking place after January. Britain has secured 100m doses of the jab.

AstraZeneca and manufacturing partners around the world, such as India's Serum Institute, hope to produce up to 3bn doses next year.

The successful results follow positive

trials of treatments this month from Pfizer/BioNTech and Moderna, which lifted stock markets and signalled a possible end to the lockdowns that have wreaked havoc on the global economy.

The Pfizer/BioNTech and Moderna vaccines showed effectiveness of close to 95 per cent in their trials. Shares in London-listed AstraZeneca fell 3.8 per cent per cent to £80 after some equity analysts compared the results negatively with those of previous trials.

Geoffrey Porges, an analyst at SVB Leerink, criticised the amount of data released by the developers and said that it might fail to win global regulatory approval. "We believe that this product will never be licensed in the US," he said.

However, the results were better than the 50 per cent effectiveness sought by

both the US Food and Drug Administration and the European Medicines Agency, which approve vaccines. AstraZeneca said it would work closely with the FDA to bring the vaccine to the US "as quickly as possible".

Under one dosing regimen, the Oxford-AstraZeneca vaccine achieved 90 per cent efficacy, a measure of prevention of infection or severe disease. That required a half dose of the vaccine to be given, followed by a full dose at least a month later. When the jab was given as two full doses at least one month apart, efficacy was only 62 per cent. The average efficacy, during trials in the UK and Brazil, was 70 per cent.

"All of us expected that two full doses would give the best response," said Andrew Pollard, chief investigator of



AstraZeneca and partners around the world, such as India's Serum Institute, hope to produce 3bn doses of the vaccine next year

the trial at Oxford. He said the findings showed "that we have an effective vaccine that will save many lives".

The Pfizer/BioNTech and Moderna vaccines will be sold at profit and much of their projected supply for next year has been secured by richer nations. By contrast, AstraZeneca, along with Johnson & Johnson, has said that it will sell its jab at cost during the pandemic.

The jab is priced at about \$3 to \$4 per dose, supply deals suggest — much less than the price of other vaccines. The vaccine can be stored long term at normal fridge temperature, between 2C and 8C; other treatments require a storage temperature as low as minus 70C.

Additional reporting by Harry Dempsey in London
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Briefing

► **Swedish miner in \$47bn carbon push**
LKAB of Sweden is to pump \$47bn into carbon-free iron ore in a push it says is the country's largest ever industrial investment, requiring electricity equivalent to a third of national supply. — PAGE 6

► **Regulator forces GM to recall 6m trucks**
The carmaker has been told to recall nearly 6m SUVs and trucks fitted with the Takata airbags that have killed more than two dozen people with shrapnel. GM said the ruling would cost it \$1.2bn. — PAGE 8

► **HK activist faces three-year jail term**

Joshua Wong, 24, was held in custody after pleading guilty to charges linked to anti-government protests last year as authorities crack down on pro-democracy leaders. — PAGE 4



► **Qantas to require vaccine jabs for flights**
Alan Joyce, chief of Australian airline Qantas, says the group will insist that passengers on international flights have been vaccinated against Covid-19 before boarding its planes once any jab is rolled out. — PAGE 6

► **Japan moves to end use of paper seal**
Japan's minister for administrative reform has hit at the centuries-old tradition of stamping documents with a *hanko* seal in an effort to cut government red tape. — PAGE 4; BIG READ, PAGE 15; ADAM POSEN, PAGE 17

► **Zuma faces criminal case after snub**
An inquiry has ordered that a criminal complaint be filed with police against ex-president Jacob Zuma after he absconded from the probe into South Africa's biggest post-apartheid graft scandal. — PAGE 3

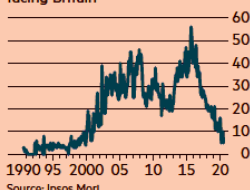
► **EU-Turkey friction over search of ship**

The German navy was forced to abandon its search of a Turkish cargo ship suspected of delivering arms to Libya after Ankara's objections, in a move that will further worsen EU-Turkey tensions. — PAGE 2

Datawatch

Foreign policy

% who say that immigration is one of the most important issues facing Britain



Source: Ipsos Mori

Only about 5 per cent of Britons are concerned by immigration, the lowest level since 1999. A year before the EU referendum it was 56 per cent. In October the proportion of the public who thought Brexit was a big issue was 45 per cent.



Biden appoints Blinken to lead foreign policy team

President-elect Joe Biden has begun to appoint the figures who will carry out his foreign policy, appointing Antony Blinken, a three-decade fixture of Democratic party diplomacy, as his secretary of state. Mr Blinken — national security adviser to Mr Biden when he was vice-president and then the deputy security adviser to Barack Obama — will have the ear of the new president. He is so close to Mr Biden that some see him as his 'alter ego'.

Analysis ► PAGE 4

Netanyahu's secret flight to meet Saudi prince signals let-up in historic enmity

MEHUL SRIVASTAVA — TEL AVIV

Israeli prime minister Benjamin Netanyahu met Crown Prince Mohammed bin Salman during a secret two-hour trip to Saudi Arabia, according to an Israeli official and local media, in a visit that would signal a historic shift in relations between the erstwhile foes.

The meeting — which would be the first known instance of an Israeli leader visiting Saudi Arabia — comes weeks after the United Arab Emirates and Bahrain signed US-brokered normalisation deals with Israel and follows intense speculation on whether Saudi Arabia would do the same.

Yoav Galant, an Israeli cabinet minister, confirmed the meeting took place between Mr Netanyahu and Prince Mohammed, saying the weekend trip was "amazing". Mr Galant told Israel's

Army Radio: "The very fact the meeting happened, and was outed publicly, even if half-officially right now, is a matter of great importance."

Mr Netanyahu said: "I never commented on those issues and I will not start now. I'll just say that I am working on broadening the circle of peace."

However, Prince Faisal bin Farhan, Saudi Arabia's foreign minister, denied there had been a direct meeting between Prince Mohammed and Mr Netanyahu. "The only officials present were American and Saudi," he said on Twitter.

Israeli officials consider Saudi Arabia the main prize as they seek to forge formal ties with Arab states. But most experts say the kingdom, which is home to Islam's two holiest sites and has fought in Arab wars against Israel, would be far more cautious than smaller Gulf states, given its history and King

Salman's support for the Palestinians.

Israeli media said Sunday's meeting was attended by Mike Pompeo, US secretary of state, Mr Netanyahu and Prince Mohammed. An Israeli official told the Financial Times the meeting was an attempt to revive Washington-brokered talks to enhance ties between Israel and Saudi Arabia, which had faltered after Donald Trump's election defeat.

Mr Netanyahu flew to Saudi Arabia on a private jet with Yossi Cohen, head of Israel's intelligence agency Mossad and architect of Israel's anti-Iran alliance with several Gulf nations, according to the Israeli radio network.

The Israeli prime minister's office did not return calls for comment.

One Israeli official said the trip was set up by Mr Pompeo during his official visit to Jerusalem last week.

Houthi's claim missile attack page 3

World Markets

STOCK MARKETS					CURRENCIES					INTEREST RATES				
	Nov 23	prev	%chg		Nov 23	prev	Nov 23	prev		price	yield	chg		
S&P 500	3561.03	3557.54	0.10	\$ per £	1.182	1.185	£ per \$	0.752	0.753	US Gov 10 yr	106.43	0.85	0.01	
Nasdaq Composite	11832.80	11854.97	-0.19	\$ per £	1.330	1.329	£ per \$	1.125	1.121	UK Gov 10 yr		0.32	0.02	
Dow Jones Ind	29432.34	29263.48	0.58	€ per €	0.889	0.892	¥ per €	123.474	123.062	Ger Gov 10 yr		-0.58	0.00	
FTSEurofirst 300	1500.46	1504.36	-0.26	¥ per \$	104.475	103.815	£ index	78.533	78.262	Jpn Gov 10 yr	101.14	0.01	0.00	
Euro Stoxx 50	3473.27	3467.60	0.16	¥ per €	138.900	137.938	SFr per €	1.215	1.211	US Gov 30 yr	117.30	1.55	0.00	
FTSE 100	6333.84	6351.45	-0.28	SFr per €	1.080	1.080				Ger Gov 2 yr	105.72	-0.75	0.00	
FTSE All-Share	3582.28	3586.51	-0.12	€ per \$	0.846	0.844								
CAC 40	5492.15	5495.89	-0.07											
Xetra Dax	13126.97	13137.25	-0.08											
Nikkei	25527.37	25634.34	-0.42											
Hang Seng	26486.20	26451.54	0.13											
MSCI World \$	2540.02	2546.31	-0.25											
MSCI EM \$	1209.26	1200.44	0.73											
MSCI ACWI \$	609.52	610.27	-0.12											

COMMODITIES				
	Nov 23	prev	%chg	
Oil WTI \$	42.98	42.42	1.32	
Oil Brent \$	45.95	44.96	2.20	
Gold \$	1875.70	1857.35	0.99	

INTEREST RATES				
	price	prev	chg	
Fed Funds Eff	0.09	0.09	0.00	
US 3m Bills	0.07	0.07	0.00	
Euro Libor 3m	-0.54	-0.54	0.00	
UK 3m	0.05	0.05	0.00	

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INTERNATIONAL

Coronavirus restrictions

Johnson plots course out of lockdown

Tougher local tiers will replace England-wide curbs ahead of Christmas

GEORGE PARKER, JIM PICKARD, ALICE HANCOCK AND JASMINE CAMERON-CHILESHE — LONDON

Boris Johnson yesterday announced England’s “stay at home” national lockdown will end on December 2, to be replaced by a new toughened three-tier system of regional restrictions.

The UK prime minister set out his Covid-19 “winter plan” to MPs, detailing a regime for curbs that he said were intended “to carry us safely to spring”. The plan, which is subject to MPs’

approval, will mean the reopening of non-essential shops in the run-up to Christmas across England, but tougher rules will lead to the closure of pubs and restaurants in the worst-affected tier-3 areas, except for takeaways.

Shops, gyms, personal care, leisure companies and outdoor sports venues can reopen from December 2. A “rule of six” limits the number of people that can meet in outdoor public spaces. A limited number of spectators will be permitted to return to outdoor sports venues in some tiers.

England has been in lockdown since November 5. The new restrictions have been strengthened on the advice of government scientists.

The government is also set to slash the quarantine time for overseas travellers arriving in England from 14 days to five under a new “test and release” scheme to be announced today, according to Whitehall and industry figures.

The virus is still spreading: the latest R number, how many people each infected person spreads the virus to, is between 1.0 and 1.1. However, Mr Johnson said the national lockdown had brought the virus under control, but “the hard truth is we are not there yet”.

The tier regime will be in place until March, with regional curbs to be reviewed every 14 days.

Other European countries are also preparing to relax lockdowns in the

run-up to Christmas. France plans to allow non-essential stores to reopen in December and Italy is considering allowing shops in low-infection areas to reopen, but Germany may extend restrictions for up to three more weeks.

Mr Johnson said vaccines and testing meant that “an escape route is in sight”. He added: “This is not a pandemic without end.” New rules for social gathering for Christmas are expected today.

Government officials said they expected most of the country to be placed in tier 2 or tier 3 when ministers decide on the geographical application of the new policy on Thursday, having studied the latest infection data.

The hospitality industry, which has

been under restrictive measures for most of the year, expressed outrage that pubs and restaurants would again bear the brunt of tougher rules.

Among the worst-hit regions of England — where the strengthened tier 3 is most likely to apply — are parts of the North West, North East and the West Midlands. Mr Johnson said “a surge in testing” in tier 3 would help those areas to move to lower tiers.

Keir Starmer, opposition Labour leader, asked for a package of support for businesses forced to close in the new tier 3, but Rishi Sunak, chancellor of the exchequer, believes the extended furlough scheme and grants and loans will cushion the blow.

EU-Ankara relations

German navy forced to halt inspection of Libya-bound Turkish ship

GUY CHAZAN — BERLIN
LAURA PITEL — ANKARA

The German navy was forced to abandon its search of a Turkish cargo ship suspected of delivering weapons to Libya after Ankara raised objections, in a move that will further exacerbate tensions between Turkey and the EU.

Officers from the German frigate Hamburg boarded the Turkish ship Roseline A on Sunday, about 200km north of the Libyan port of Benghazi. Its crew were acting on the orders of Operation Irini, the EU’s mission to enforce the UN Security Council arms embargo against Libya.

But the search had to be abandoned after Turkey protested to Irini, the German defence ministry said. “Turkey declared that it did not consent to the boarding and [it] was subsequently broken off,” it said. No weapons had been found during the search.

The incident comes at a time of rapidly deteriorating relations between Turkey and the EU. Ankara has infuriated Europe with its recent actions in the eastern Mediterranean, where it has explored for hydrocarbons in Greece’s and Cyprus’s territorial waters.

“It’s important that Irini delivers on its mandate. The mandate is to enforce the UN arms embargo,” the EU said.

Turkey president Recep Tayyip Erdogan has also raised French ire with his sharp criticism of President Emmanuel Macron’s response to a recent spate of terror attacks and his calls for a boycott of French goods. The EU’s foreign policy chief has warned that the bloc could impose sanctions on Turkey next month.

The German foreign ministry said Berlin took the Roseline A incident “very seriously”, indicating it added to suspicions that countries were continuing to smuggle weapons into Libya. Germany had, it said, made it clear to all participants in the Libyan peace process they must adhere to the arms embargo. “That goes for Turkey, too,” it added.

But Turkey criticised the inspection of its ship as “unauthorised and heavy-handed”, describing it as a violation of international law. Ankara published footage showing armed men in military uniform leading crew members with their hands behind their heads on the bridge of what it said was the Roseline A.

It said the German officers should first have waited for permission to board the Turkish ship. The German defence ministry insisted they had asked permission, but received no reply. He said when there is no response within four hours, this silence is interpreted as “tacit consent”.

Ankara, which has provided military and diplomatic support to the UN-backed government in Tripoli, insisted the Roseline A was carrying paint and humanitarian aid. The Turkish foreign ministry accused Operation Irini of seeking to “punish” the Tripoli government while failing to inspect weapons shipments bound for forces loyal to Khalifa Haftar, the renegade general who controls territory in eastern Libya.

“The double-standard and illegal treatment applied to ships transporting [goods] from our country to Libya is unacceptable,” it said.

Additional reporting by Michael Peel



Day in court Sarkozy trial on corruption postponed

Former French president Nicolas Sarkozy arrives at a Paris court yesterday, but proceedings had to be delayed — Charles Platiau/Reuters

Nicolas Sarkozy was set to fight allegations of corruption and influence peddling in a high-profile trial that was due to start yesterday — the first in a series of legal cases that could make or break the former French president’s political legacy.

But the proceedings were delayed because one of the politician’s co-defendants, judge Gilbert Azibert, argued he could not appear in person because of health problems, prompting the court to assign a medical expert to evaluate him. A decision is expected on Thursday.

Once the case begins, prosecutors will lay out their allegations that Mr Sarkozy and Thierry Herzog, his lawyer, sought to bribe Mr Azibert to get information about a separate criminal case involving a politician, his political allies, and the late L’Oréal heiress Lillane Bettencourt.

A former president appearing in court is rare and legal experts have called it a key test for France’s anti-corruption investigators and judges.

Mr Sarkozy, who led the country from 2007-12, is to stand a separate

campaign finance trial in March for allegedly overspending by more than €20m in his failed re-election bid in 2012. Last month, he was placed under investigation for criminal conspiracy over allegedly accepting illegal financing for his 2007 campaign from Libya. He has denied wrongdoing in all cases.

In the past few years, Mr Sarkozy has taken on a more prominent role in business and he enjoys continued influence in centre-right politics.

French investigators stumbled on the alleged corruption after they began monitoring Mr Sarkozy’s communications in 2013 as part of an inquiry into whether his successful 2007 presidential campaign had received an illegal €50m donation from Libya’s Muammar Gaddafi.

They had Mr Sarkozy and Mr Herzog wiretapped, and learned of their offer of a job to Mr Azibert in exchange for information.

The defendants risk up to 10 years in prison and large fines if convicted. They have all maintained their innocence. *Leila Abboud*

ERIKA SOLOMON — BERLIN

It was refugee customers at his pharmacy in Wuppertal, Germany, that gave Ribal Dib his inspiration. Where, they asked, could they find the ingredients for a beloved Middle Eastern dish? A favourite Syrian cheese?

A year after almost 1m people, mostly Syrians fleeing war, reached Germany in 2015, Mr Dib realised the craving for a taste of home was a start-up opportunity.

“I could bring the homeland to them all, with the press of a button,” said Mr Dib, who fled Damascus after his pharmacy was destroyed by shelling.

Three years on, his online Middle Eastern food marketplace Mozzaik

5m-6m Annual visitors to Mozzaik, an online Middle Eastern food marketplace	26% Immigrants’ share of start-ups. They make up 22% of German populace
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attracts 5m-6m site visitors a year, serves 180,000 regular customers and employs 350. He is part of a promising German trend: immigrants are behind 26 per cent of the country’s start-ups — four percentage points higher than their share of the population, a study shows.

Research by development bank KfW shows immigrants have also established Germany’s most innovative and growth-orientated ventures. These range from Mozzaik to fintechs such as Raisin, which allows customers to deposit money to banks across Europe and make higher returns, and deep-tech start-ups such as peaQ, a decentralised internet platform with a Maltese co-founder.

US studies showed more than half of Silicon Valley companies started between 1995 and 2005 were founded by immigrants. But a Kaufman Foundation report pointed to an 8.5 per cent decline in numbers since 2005, presenting what some German entrepreneurs argue is an opportunity for their country of 21.2m immigrants to capitalise on.

German interest in immigrant success stories has grown since BioNTech, in partnership with US pharmaceutical

company Pfizer, announced this month it was set to be one of the first companies to bring a coronavirus vaccine to the market. Ugur Sahin and Ozlem Tureci, the couple who founded the company, have Turkish roots, with Mr Sahin’s family coming to Germany as *gastarbeiter*, or guest workers, in the 1960s.

But behind the high-profile achievements the picture is more complicated.

Strong immigrant representation in start-ups is a reflection of both good and bad aspects of outsiders’ experience in Germany, often linked to difficulties in finding traditional employment.

Tamaz Georgadze, a co-founder of Raisin, which has raised €200m in investment, left his native Georgia for Germany at the age of 16. He might have sought a legal career, but he would have had no chance of becoming a judge because he was not yet a German citizen. He worked at consulting firm McKinsey for ten years before founding Raisin, and initially struggled to operate within the business community.

“My last name was a barrier some people were reluctant to overcome, because it was too complicated, and obviously I was an outsider,” he said, noting that many generations-old German companies have established networks, which can be hard to break into.

Immigrants also struggle with the language, tax rules, red tape involved in founding companies and transferring foreign degrees, and entrepreneurs sometimes struggle to gain interest from German investors. Other immigrant founders say their main challenge is the traditional cautiousness of Germany’s small venture capital scene.

Paul Wolter, of the German Startups Association, said immigrant representation in German start-ups was still too low compared with other countries.

Germany also has among the worst social mobility rates in OECD countries, which hits immigrants especially hard.

“This is a poison for the economics of the country, because when you have less social mobility, you have less innovation,” he said.

But immigrants can be more tolerant of risk than native-born citizens, having made sacrifices to leave their homes. Max Thake, Maltese co-founder of peaQ, is still confident that his move to Berlin to establish the venture will pay off. It has raised €3m so far, and aims to raise another €5m from overseas investors.

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Predicting Putin’s retirement date loses its fun as a parlour game



The future prospects of any strongman leader often boil down to two choices: guaranteed safe passage to civilian life with legal protection, or life-long rule. Vladimir Putin, who will mark 21 years in charge of Russia in January, has engineered a situation where he has a shot of achieving either.

Perpetual whispers of the Russian leader’s departure from the Kremlin rose in volume last week after the country’s parliament rubber-stamped a law granting immunity from investigation or prosecution to former presidents and their families.

But speculation over whether the move signals an early retirement for Mr Putin ignores another law, also passed this year, allowing the 68-year-old president to rule for 12 more years after this term — his fourth — ends in 2024.

Tatiana Stanovaya, a Russian political analyst, reckons that while it is natural for Mr Putin to seek the comfort of protection should his presidency end, there is no connection between the new legislation and his possible retirement plans. “What we can say now is that he makes everything for us not to understand when he would resign,” she said.

The two pieces of legislation — set out in a rewrite of the constitution proposed by Mr Putin in spring — are emblematic of a preference for ambiguity.

The Russian leader likes to give the same responsibilities to two people in two different jobs; he often delegates tasks to competing ministries or agencies. This gives him flexibility and options should individuals or initiatives fail, while ensuring underlings are focused more on fighting against themselves than plotting against him.

The two laws, protecting him outside the Kremlin and allowing him to remain in it, fit this approach. At present, making use of the second lever appears more likely than the first, according to analysts. Predicting when Mr Putin will step down or to whom he may transfer power has lost its fun as a Moscow parlour game. His supporters dismiss the

discussion’s premise and his critics have been wrong too many times to continue guessing.

“No, [my presidency] must definitely end one day, I am perfectly aware of that,” Mr Putin said last month when asked about the potential of continuing indefinitely. “As to what will happen in 2024 or later; we will see when the time

His supporters dismiss the premise and critics have been wrong too many times to continue guessing

comes. Now we all just have to work hard . . . everyone in his or her place.”

Putin knows how to manage presidential transitions. When Boris Yeltsin, Russia’s first president, sought to step down, his choice of Mr Putin as successor was partly based on a promise that he and his family would be protected. Mr Putin has honoured that pledge. Tellingly, even his frequent boasts about rescuing Russia from economic calamity rarely admonish the man who presided over it.

Then, when he hit his first two-term limit in 2008, he entrusted the Kremlin to Dmitry Medvedev, his dependable confidant. As arranged, Mr Medvedev handed back power in 2012. A majority of Russia’s 110m registered voters validated the political manoeuvre.

When asked by the Financial Times last year if he would pick the next president, he responded: “Of course, the current leader always supports someone, and this support can be substantive if the person supported has the respect and trust of the people.”

Indeed, as a president who amassed near-total political power and then rewrote the rules to suit his plans, he is aware that a successor could do the same and make short work of any legislative safety net.

“He could find a successor before, and he can today, and he is aware that he can never be sure that it’s not a mistake,” said Ms Stanovaya. “You will never be protected by your choice.” Until Mr Putin finds a way to solve that conundrum, talk of transition is premature. But for now, there is no harm in keeping his options open.

henry.foy@ft.com

INTERNATIONAL

Secrecy over vaccine contracts spurs calls for transparency

Civil society groups say public investment in research should bring greater openness

DONATO PAOLO MANCINI — LONDON

Earlier this year, Sandra Gallina, the Italian bureaucrat in charge of buying coronavirus vaccines for the EU, appeared before the European Parliament, invited by MEPs seeking more transparency on the bloc's confidential procurement contracts with drug developers.

"I fully take on board this criticism," Ms Gallina said in September as she deflected attacks on what some have condemned as an overly opaque process, given the money and lives at stake.

"It is only through dialogue and the explanations that we can really give the correct image of what we're doing," she said. Yet two months on, little is known about the terms of contracts the EU has with pharmaceutical groups including AstraZeneca, Pfizer-BioNTech, Sanofi-GlaxoSmithKline and CureVac.

Drug procurement contracts are always confidential and companies rarely disclose commercial information. But given the unprecedented levels of public investment in the development of Covid-19 vaccines, civil society groups and some politicians have argued that an exception should have been made and more information made public.

"It's a culture of non-transparency," said Jamie Love, head of US advocacy group Knowledge Ecology International (KEI). "It's particularly frustrating with Covid because of the massive public interest and the amount of money involved. Once [secrecy is] peeled away, what you see is a massive privatisation of billions of dollars of government funds," he added.

Very little information has been officially released by the companies or the government buyers. People briefed on talks between drugmakers and the European Commission have said AstraZeneca sold its jab at about \$3-\$4 a dose, while a Johnson & Johnson vaccine and one developed by Sanofi and GSK were priced at about \$10 a dose.

AstraZeneca, which has promised not to profit from its jab during the pandemic, has — in at least one agreement — the contractual right to declare an end to the outbreak as soon as July 2021. US biotech Moderna said it would seek a maximum price of \$37 a dose after the Financial Times reported it was pitching at \$50-\$60 for the two-shot course.

No organisation has published a full contractual agreement, and detailed accounts of the negotiations are few.

"We want to make sure they deliver quality," said one European official close to the talks. "They want money, and they want to minimise their risk."

The official said EU contracts with Boston's Moderna and Maryland-based Novavax were still being negotiated. US companies had been more likely to use law firms to negotiate stickier points, particularly around liability, the official said, making them harder to deal with.

"The problem is the lawyers. They don't have a clue when they come in. The commission's lawyers deal with them and I only hear them suffering."



Shot in the arm: a volunteer is given a Covid-19 vaccine at the Research Centers of America in Hollywood, Florida, in August
Chandan Khanna/AFP/Getty

Moderna and Novavax did not comment. In September, Ms Gallina said she had stood firm against pressure from pharma groups to waive their usual liability given the accelerated research and development timeline. "The product liability directive has not been touched," she said. "We would not be so mad as to change such a system."

But corporate liability concerns have remained points of contention and held up the announcement of a 300m dose deal between the EU and Pfizer-BioNTech, people involved said. It should have been announced on November 9 when positive trial results were released, but was delayed for three days until the issues were resolved. Pfizer, BioNTech and the EU declined to comment.

The pressure for greater transparency has yielded some results. Stella Kyriakides, health and food safety commissioner, this month said Brussels was considering making information about contracts available to selected MEPs "with specific arrangements" once talks were over. She "recognised" the importance of transparency but said the EU could not unilaterally release the contracts, adding that disclosures could

'What you see is a massive privatisation of billions of dollars of government funds'

also weaken its negotiating position.

Yannis Natsis, a policy adviser at the European Public Health Alliance and on the board at the European Medicines Agency, welcomed the move but said the "devil is in the detail". "It should be a step towards meaningful transparency and not a box-ticking exercise," he said.

In the US, Kathryn Ardizzone, KEI's legal counsel, said the government had tended to be even less transparent than the manufacturers, redacting more on documents released under the Freedom of Information Act than companies had.

The US has spent more than \$10bn to support the development of potential Covid-19 drugs and vaccines. Greater transparency would ensure the vaccine technology developed could be used in future applications, KEI's Mr Love said.

Thomas Cueni, head of lobby group the International Federation of Pharmaceutical Manufacturers and Associations, argued that transparency was vital for clinical trials but that releasing confidential contractual information would not be "very helpful".

Additional reporting by Joe Miller in Frankfurt
See Notebook and Lex

Oxford-AstraZeneca Jab cheaper than rivals' and easier to store

CLIVE COOKSON AND DONATO PAOLO MANCINI — LONDON

AstraZeneca and Oxford university announced yesterday that the coronavirus vaccine they are developing together is up to 90 per cent effective depending on dosage. It is the third vaccine candidate to give positive results in large-scale phase 3 trials and, while it is not as effective as the other two, it is being offered at a much lower price and is also easier to transport and store.

How impressive are these results?

Until early November, the average efficacy found in the Oxford-AstraZeneca vaccine of 70 per cent — and close to 90 per if the first shot is a lower dose than the second — would have been regarded as a triumph. Regulators and many scientists would have been happy with any vaccine that was more than 50 per cent effective.

Two other vaccine candidates using different technology, made by Moderna and the Pfizer-BioNTech partnership, have raised the bar considerably within the past two weeks. Each reported around 95 per cent efficacy in phase 3 clinical trials. However, independent experts say people should not leap to conclusions on the basis of what are still interim findings.

Charlie Weller, head of vaccines at Wellcome, said: "The preliminary results from the Oxford-AstraZeneca team are hugely encouraging. They suggest that it is highly effective in protect-

ing against serious illness and it may reduce transmission." No one who received the Oxford vaccine required hospital admission with Covid-19 symptoms. There was also evidence that it reduced asymptomatic infection.

How does the Oxford-AstraZeneca vaccine work?

It is based on a harmless adenovirus from a chimpanzee, which has been engineered in the lab to include genes from Sars-Cov-2, the coronavirus that causes Covid-19. When the genetically modified adenovirus is injected into human cells, they make coronavirus proteins that prime the immune system to respond to future infections with Sars-Cov-2.

Several other Covid-19 vaccines in development, including the Russian Sputnik-V and candidates from Johnson & Johnson of the US and CanSino of China, use adenoviruses.



Eschewing profits: AstraZeneca has pledged to sell the vaccine at cost

In contrast, the Moderna and Pfizer-BioNTech vaccines use mRNA technology, which carries Sars-Cov-2 genes into cells in microscopic droplets of oily lipid rather than in another virus.

Why does the dosing regime make such a difference in the Oxford-AstraZeneca vaccine?

Sarah Gilbert, Oxford professor of vaccinology, said the team had been keen to experiment with lower doses but had not expected the combination of a half dose followed by a full dose to boost performance so dramatically — giving 90 per cent efficacy, compared with 62 per cent for two full doses.

The reasons for this improvement will remain speculative until more research has been done. The Oxford team says one likely explanation is that a smaller dose is a better initial primer of the immune system, though no licensed vaccine has a low first dose followed by a higher second dose.

How easy would it be to distribute this vaccine?

Vaccines require "cold chains" to keep their active ingredients intact and stable while they reach patients. That is a huge challenge because large parts of the world lack the infrastructure to do this.

The Oxford-AstraZeneca vaccine can be kept long term at 2C to 8C, the temperature of a conventional fridge. For comparison, the mRNA vaccines developed by Pfizer-BioNTech and Moderna

require much lower temperatures of -70C and -20C respectively. Public health professionals have warned of the challenges of building worldwide distribution networks at a time of squeezed budgets around the world, though organisations like Unicef are stepping up their efforts to make sure poorer nations have cold chains in place.

Is this good news for poorer nations?

Yes. AstraZeneca has pledged to sell the vaccine at cost, eschewing profits, for the duration of the pandemic. It is priced at about \$3 to \$4 per dose, much less than other vaccine candidates. Its ease of distribution also helps.

Other vaccines under development are priced for profit and much of their supply has been reserved by richer countries.

What does it mean for AstraZeneca?

The company had no vaccines business before the Oxford collaboration and has said it expects the jab not to impact its accounts. Yesterday London-listed shares in the drugmaker fell 3.5 per cent. Analysts said this was partly because the average efficacy figures were lower than competitors'.

"In reality, if the vaccine is 70 per cent effective, that's absolutely fine. It's the most accessible of all the vaccines and so will still be used widely if approved," said Shore Capital's Adam Barker.

Additional reporting by Michael Peel in Brussels

South Africa

Zuma faces criminal action for snubbing graft inquiry

JOSEPH COTTERILL — JOHANNESBURG

A South African corruption inquiry has ordered that a criminal complaint be filed with police against former president Jacob Zuma after he absconded from the probe into the country's biggest post-apartheid graft scandal.

Mr Zuma last week defied a subpoena and walked out of the Johannesburg base of the inquiry, which is investigating claims of systemic corruption during his nine-year tenure.

Raymond Zondo, the inquiry's presiding judge, yesterday ordered a criminal complaint be filed against Mr Zuma for defiance of the summons to answer evidence relating to his involvement.

The criminal complaint was necessary "given the seriousness of Mr Zuma's conduct and the impact it may have on the work of the commission, and the need to ensure we give effect to the constitutional provisions that all are equal before the law", Mr Zondo, South Africa's deputy chief justice, said. He will also issue a fresh summons for Mr Zuma.

The inquiry has been the most high-profile symbol of a clean-up promised by Cyril Ramaphosa, president, after the ruling African National Congress ousted Mr Zuma in 2018. The looting cost the country at least R500bn (\$33bn), Mr Ramaphosa has said.

Mr Zuma left proceedings after his lawyers failed to get Mr Zondo to recuse himself from the inquiry over what the former president claimed were their personal ties.

"President Zuma assures us that he would rather face jail than allow himself to be bullied by an irregular, manipulated and unlawful process," the former president's charitable foundation said last week of the possibility that he would be arrested for defying his summons.

Since the inquiry began two years ago, more than 30 witnesses have accused Mr Zuma of helping to loot the state and advance private interests through the manipulation of public contracts and appointments at state companies.

Mr Zuma denies wrongdoing and used an appearance at the inquiry last year to claim the probe was a "drive to remove me from the scene . . . a conspiracy against me". He withdrew before he could be fully cross-examined.

Lawyers and activists said Mr Zuma's ploys to avoid a return reflected his history of using legal obstacles to bog down investigations into his conduct.

"This is a very serious matter because he has openly defied a summons to appear and give evidence to the commission," the Council for the Advancement of the South African Constitution, a legal non-governmental group, said.

Yemen conflict

Houthi rebels claim missile attack on Saudi oil plant

SIMEON KERR — DUBAI
DAVID SHEPPARD — LONDON

Yemen's Iran-backed Houthi rebels yesterday claimed to have damaged an oil facility in the Saudi port city of Jeddah in a rocket attack that would demonstrate their ability to strike deep into the country.

Brigadier General Yahya Sarea, military spokesman for the Houthi fighters, said a new Quds-2 cruise missile had accurately targeted a distribution station, prompting fire engines and ambulances to rush to the scene.

The rebels regularly fire missiles into the kingdom but while most have been around the border area, Jeddah is about 700km to the north. State oil company Saudi Aramco and the government did not respond to requests for comment on the alleged attack.

"This operation came in response to the continued siege and aggression [against Yemen] and in the context of the [Houthi] armed forces' promise to carry out large-scale operations deep inside Saudi Arabia," Brig Gen Sarea tweeted. He posted a satellite image of the facility that tallies with a Google map of Saudi Aramco's North Jeddah Bulk Plant. Social media users posted videos of an apparent fire in Jeddah.

The alleged strike, coming after Saudi Arabia's virtual hosting of the G20 summit on Sunday, would mark an uptick in

the Yemen conflict and highlight the increasing range of Houthi missiles.

The facility in Jeddah is less crucial to the kingdom's oil infrastructure than the oil processing hub of Abqaiq, one of the world's largest processing plants, which last year was damaged by a drone attack claimed by the Houthis.

Saudi Arabia and several of its allies said last year that Iran was behind the strike, a claim denied by Tehran. Oil prices edged higher yesterday to above

Yemenis bury the body on Saturday of a Houthi fighter allegedly killed by Saudi-backed government forces



\$45 a barrel, but traders said most of the increase was due to the latest positive news on coronavirus vaccines, rather than concerns about supplies.

The rise in Yemen tensions comes as the Trump administration is reportedly planning to designate the Houthi movement a terrorist group, which aid agencies fear would limit humanitarian supplies and damage UN peace efforts.

Yemen has been plunged into a humanitarian crisis since a Saudi-led coalition intervened in the civil war to try to restore the internationally recognised government ousted by the Houthis.

Virus fallout

Eurozone business activity hits 6-month low after curbs

MARTIN ARNOLD — FRANKFURT
VALENTINA ROMEOI — LONDON

Eurozone business activity has hit a six-month low as fresh restrictions to limit the spread of coronavirus weigh on the services sector, fuelling the likelihood of a double-dip economic downturn, according to a survey.

Services activity across the single currency bloc declined in November, according to the sector's IHS Markit flash purchasing managers' index. It hit 41.3, down from 46.9 in the previous month and the lowest level since this spring's lockdowns.

This was lower than forecast by economists polled by Reuters, who had expected a reading of 42.5. A reading of below the 50 mark indicates the majority of businesses reported a monthly contraction in activity.

As a result, the flash composite PMI, an average of services and manufacturing, fell to a six-month low of 45.1, slightly below economists' consensus expectations and down from 50 in the previous month. It is the first time the index has entered contraction territory since June.

"The eurozone economy has plunged back into a severe decline in November amid renewed efforts to quash the rising tide of Covid-19 infections," said Chris Williamson, chief business economist at

IHS Markit. "The data add to the likelihood that the euro area will see gross domestic product contract again in the fourth quarter."

However, the composite PMI remained much stronger than the 13.6 low reached in the spring, reflecting this month's more targeted restrictions that have left most schools, building sites and factories open.

Eurozone manufacturing held up more strongly than it did in the spring, recording a reading of 53.6, down from 54.8 in the previous month but remaining in expansion territory. Eurozone business expectations improved sharply as economists became increasingly optimistic that breakthroughs on developing coronavirus vaccines would lead to a swift recovery next year.

"The decline in activity is nowhere near as severe as in the spring, when the purchasing managers' index for [the services] sector plunged by 40 points within two months," said Christoph Weil, economist at Commerzbank.

Some parts of the bloc are performing better than others. Companies in France's dominant services sector reported their sharpest decline in activity since May. But a rebound in exports supported growth in Germany's large manufacturing sector; its composite PMI score dipped to 52, indicating a continued expansion of business activity.

INTERNATIONAL

President-elect

Biden unveils national security team picks

Choice of nominees signals more bipartisan era for foreign policy

JAMES POLITI AND KATRINA MANSON
WASHINGTON

Joe Biden, US president-elect, has announced the most senior positions in his national security team ahead of his January inauguration, selecting Antony Blinken as secretary of state, Jake Sullivan as national security adviser and John Kerry as special presidential envoy on climate.

Mr Biden's move yesterday marked his biggest step yet to fill his cabinet,

even though US president Donald Trump has still refused to accept defeat in the election and declined to start the transition.

Mr Biden's other key appointments on the national security side included Alejandro Mayorkas as secretary of homeland security, Avril Haines as director of national intelligence and Linda Thomas-Greenfield as US ambassador to the UN.

"These individuals are equally as experienced and crisis-tested as they are innovative and imaginative," Mr Biden said. He added: "Their accomplishments in diplomacy are unmatched, but they also reflect the idea that we cannot meet the profound

challenges of this new moment with old thinking and unchanged habits or without diversity of background and perspective."

The cast of officials selected by Mr Biden will face the difficult mission of resetting US foreign policy after four years during which Mr Trump's disruptive approach to diplomacy alienated many traditional allies and damaged the US's standing in multilateral institutions. Mike Singh, a former National Security Council director who worked in Republican administrations and also served as a senior adviser at WestExec, an advisory co-founded by Mr Blinken, said his appointment would usher in a more bipartisan era for

foreign policymaking in Washington.

"He's a person who is very experienced, obviously, and well respected on both sides of the aisle and so you have someone who can hit the ground running," he said. Mr Singh added Mr Blinken's appointment would bring a less polarising approach for those "who are craving a sort of return to a more normal way of doing business".

Mr Biden's picks reacted to their selections on Twitter with vows to protect US interests but also boost American engagement in the world.

"America will soon have a government that treats the climate crisis as the urgent national security threat it is. I'm proud to partner with the President-

elect, our allies, and the young leaders of the climate movement to take on this crisis as the President's Climate Envoy," Mr Kerry, the former secretary of state under Barack Obama, wrote.

Ms Thomas-Greenfield said: "My mother taught me to lead with the power of kindness and compassion to make the world a better place. I've carried that lesson with me throughout my career in Foreign Service — and, if confirmed, will do the same as Ambassador to the United Nations."

A state department official said human rights were likely to take a much more prominent role under a Blinken-Sullivan stewardship.
See Markets Insight

Unlawful assembly case

Hong Kong leader of democracy protests faces prison term

ALICE WOODHOUSE AND NICOLLE LIU
HONG KONG

Hong Kong activist Joshua Wong was remanded in custody after pleading guilty to charges linked to anti-government protests last year as authorities crack down on pro-democracy figures.

Mr Wong, 24, a leader of the city's 2014 pro-democracy Umbrella Movement, could face up to three years in jail after he and two fellow activists were charged with organising, participating in and inciting others to take part in an unlawful assembly.

"What we are doing now is to explain the value of freedom to the world," Mr Wong said outside the court, before his detention.

The arrest of the activist, who has become the face of Hong Kong's pro-democracy movement, follows increasingly violent protests last year against a bill that would allow the territory to extradite suspects to mainland China.

In response, Beijing this year imposed a national security law on the city that punishes secession, subversion, terrorism and collusion with foreign forces with a maximum sentence of life in jail.

Mr Wong, whose case involved incidents that occurred before the national security law was introduced, said the charges against him were relatively mild compared with others who were facing prosecution under the security legislation. He pleaded guilty to charges of inciting others to knowingly take part in an illegal assembly and organising an unlawful assembly but not guilty to knowingly taking part in an unauthorised assembly.

Agnes Chow, 23, a former leading figure of Mr Wong's disbanded political group Demosisto, also pleaded guilty to two charges. Its former chairman, Ivan Lam, 26, admitted one charge. The pair were also remanded in custody. The trio will be sentenced on December 2.

The charges stem from June 2019 when protesters surrounded Hong Kong police headquarters in protests against the extradition bill. The demonstration occurred a few days after Mr Wong was released from prison after serving a sentence for contempt of court linked to the 2014 protests.

Chinese state media have branded Mr Wong an "instigator of the Hong Kong riots" and an independence activist.

Police have made more than 10,000 protest-related arrests for crimes ranging from rioting to assault and arson.

Mr Wong added that his likely prison sentence "was the least ridiculous outcome among others that happened recently in Hong Kong". He pointed to the arrests of more than 20 activists, journalists and pro-democracy legislators in recent weeks. Amnesty International has criticised the arrest of the law-makers, saying the national security law should not be used to limit freedom of expression.

At the weekend, two pro-democracy politicians elected to the city's district councils were arrested for conspiracy to defraud over election expenses. An online radio host was also arrested under the national security law in relation to a crowdfunding campaign to support protesters escaping to Taiwan.

Alexandra Wong, an activist known as "Grandma Wong", was arrested on Friday for an alleged assault last year.

Democratic team. Antony Blinken

Veteran diplomat selected as secretary of state

Highly experienced adviser is a pragmatist who understands the limitations of US power

DEMETRI SEVASTOPULO — WASHINGTON

When Joe Biden enters office in January, his closest foreign policy adviser will be a guitar-playing Beatles fanatic who first started promoting American values as a high school student in Paris during the cold war.

The president-elect yesterday confirmed Antony Blinken, a three-decade fixture in Democratic foreign policy circles — who first worked with Mr Biden in the Senate — as secretary of state.

A former speech writer for President Bill Clinton, he was national security adviser to Mr Biden when he was vice-president, before becoming deputy national security adviser to Barack Obama and deputy secretary of state.

Mr Blinken's return to the corridors of power will come as the US tries to recover from the battering it has taken on the world stage over four years of Donald Trump's international isolationism. Although some challenges will be familiar, he will also face new dilemmas such as dealing with an even more assertive China.

Robert Malley, head of International Crisis Group, who was Mr Blinken's high-school classmate, said he had the perfect background to restore US credibility. In addition to coming from a family with foreign policy pedigree — his father was ambassador to Hungary and his uncle to Belgium — allies say he can put himself in the shoes of others because of his experience overseas.

"Tony was an American in Paris — and both terms are key. He was very conscious of being an American and he believed in US values. But he also understood how US policy affects the rest of the world because he lived overseas and witnessed how others view America," Mr Malley said. "At that time, the US was not particularly popular in Europe, and in France in particular. Tony navigated those two universes."

In a recent Intelligence Matters podcast, Mr Blinken said the US had to rebuild alliances to tackle the "democratic recession" enabled by Mr Trump that let "autocracies from Russia to China . . . exploit our difficulties".

Mr Blinken is a pragmatic realist who believes in US power but understands its limits. He will also have the most val-



Wealth of experience: Antony Blinken is a veteran of Democratic foreign policy. Below, then vice-president Joe Biden, left, with Mr Blinken, second left, Susan Rice and John Kerry at the White House in 2013 — Christian Hartmann/Reuters, Jonathan Ernst/Reuters



uable currency in Washington — the ear of the president. He is so close to Mr Biden some see him as his "alter ego".

Nick Burns, the former number three state department official, said his network of friends around the world was coupled with an incredible range of experience. "He was at the table for all of the important meetings in the Obama administration for eight years and has unique insight into the full range of national security issues," said Mr Burns.

A soccer-playing 58-year-old, who has uploaded two of his songs on Spotify, he is widely liked for his unassuming manner and inclusive approach.

But some said his inclusive style

meant his core beliefs were sometimes hard to ascertain. "I don't have a good read on his foreign policy thinking because he did not impose himself," said a former Biden Senate aide.

One former Obama administration official said he also had a tendency to hold too many meetings and punt decisions. Defenders said he simply wanted to avoid rushing into bad decisions.

While some find his views opaque, others stress that he has long been clear about the importance of promoting democracy and human rights.

He advocated military action against Syria after the Assad regime used chemical weapons in 2013 — a path Mr Obama did not follow — and applauded Mr Trump for striking Syria after the regime used sarin gas on citizens.

Michael McFaul, a former US ambassador to Russia, said Mr Blinken and other Democrats created a group called the "Phoenix Initiative" to debate whether the party needed a more robust national security approach after John Kerry lost to George W Bush in 2004.

He said that when the group held debates, Mr Blinken was also a strong proponent of using US power for good and advocating for human rights. "I was very struck that he was passionate about that," he said.

'Tony would be visibly tougher on Russia and more receptive to the idea of ideological competition with China'

Philip Gordon, a former Obama administration official, said that view was informed by his family history. His Polish-born stepfather, Samuel Pisar, survived Auschwitz.

"That has left him believing that the US can and should do good in the world," said Mr Gordon. "But I would pair that with the notion that he is a real pragmatist who also understands the limits of American power. He is anything but an ideologue."

The other former Obama official said Mr Blinken would probably be tougher on human rights than the Obama White House. "Tony would be visibly tougher on Russia and more receptive to the idea of ideological competition with China."

Mr Blinken's views on alliances and promoting democratic values fit with a growing view in Washington that the US needs to work more closely with allies to gain greater leverage to tackle China.

One former European official, who has worked with Mr Blinken, said the fluent French speaker would be well received in Europe and help repair the damage of the past four years. But he said he would do so in a more low-key way than some predecessors.

"He's not a man to make the front page," he said. "He's not Henry Kissinger, in a good and bad way."

'Hanko'

Japan drops paper seal to digitise bureaucracy

ROBIN HARDING, KANA INAGAKI
AND LEO LEWIS — TOKYO

Taro Kono catalogued almost 15,000 occasions when the only way to satisfy Japan's fastidious bureaucracy was with a personalised *hanko* seal. He is now determined to get rid of them.

Japan's new minister for administrative reform has said that sweeping away the centuries-old tradition of stamping documents with a *hanko* would open the way to digitising government.

Mr Kono is regarded as a likely future candidate for prime minister, and after stints as foreign and defence minister, his assault on the seal reveals new premier Yoshihide Suga's determination to reform the hidebound state.

Hanko seals are universal in Japanese culture, functioning in place of a signature, and most households have several. But they clash with Mr Suga's move to a digital agency with more government services online. "The showstopper was *hanko*," said Mr Kono. "If you ask people to put the *hanko* on it, it has to be on paper. You cannot put the *hanko* on the computer screen, right?"

'When I first became defence minister, the first paper I had to sign off had three pages of *hanko*'

instances. He has decided to maintain the *hanko* requirement for 83 procedures and scrap it for the rest.

"So 14,900 procedures . . . you don't need a *hanko* any more," he said.

Mr Kono added there were three separate classes of *hanko*: a seal registered with the municipal authorities, which can be used to make binding contracts; a seal registered with a bank, which can be used for payments; and an everyday *hanko* with no legal purpose.

Most of the government procedures used the last kind of seal, he said.

"It doesn't certify anything. I can go out and buy a *hanko* for Mr Suzuki and put Suzuki-san on it. So this is totally meaningless. I was focusing on mainly those."

Most of the *hanko* requirements can be dropped as an administrative decision, but Mr Kono is also planning legislation to remove some that are written into law. The surviving 83 procedures require a registered or a banking seal.

"When I first became defence minister, the first paper I had to sign off had three pages of *hanko*. I know they've seen the paper, but I don't think any one of them is going to be responsible. So I said, OK, you can have only four *hankos* maximum," he explained.

Removing the requirement for *hankos* will allow for digitisation, but will not necessarily make the government more efficient if there are just as many people having to sign for online decisions.

"The key to success is . . . you don't need the *hanko* if you don't need the paper," he pointed out.

See FT Big Read & Opinion

Civil rights

Singapore charges activist for smiley sign

STEFANIA PALMA — SINGAPORE

Singapore has charged a civil activist who held a sign bearing a smiley face for participating in an illegal public assembly involving only himself.

Jolovan Wham was formally charged yesterday with two counts of prohibited assembly without a police permit under the Public Order Act, which regulates "processions" in public spaces.

Mr Wham, who has had several encounters with Singapore's authorities, said he would not plead guilty to the latest charges and wanted the case to go to trial. The activist, who posted bail of S\$15,000 (\$11,000), was not obliged to submit a plea yesterday. A pre-trial hearing is scheduled for Friday.

"The charges against me are unacceptable but not surprising," said Mr Wham. "The Singapore government has shown time [and] again the contempt it has for its own citizens. How can standing in public to take a photo be an offence?"

The first charge relates to Mr Wham holding a sign alone on the state courts steps calling for the criminal defama-

tion charges against a writer and editor at a Singaporean independent news website to be dropped.

The second charge is linked to Mr Wham holding a drawing of a smiley face outside a police station after authorities summoned activists who had posted photos of themselves on social media holding signs in public with messages demanding action on climate change. Mr Wham posted photos of himself holding both placards online.

Phil Robertson, deputy director at Human Rights Watch in Asia, said the smiley face matter was a "ridiculous case" that "reveals everything that is



Jolovan Wham: accused government of holding its citizens in contempt

wrong with the city state's authoritarian system", which has been ruled by the same party since independence in 1965.

"Singapore should scrap its rights-abusing Public Order Act, and recognise that a truly 21st-century economy also requires systems to let people participate and express their views about needed reforms," he added.

Speakers' corner in Hong Lim Park is the only place on the island where Singaporeans can protest without a police permit.

Before yesterday's hearing, Mr Wham posted a selfie on Twitter wearing a T-shirt and a mask with a smiley face, with the caption: "My guilt is plain for all to see."

Mr Wham's supporters have responded to the charges by posting selfies with drawings of smiley faces under the hashtag #smileinsolidarity. More than 4,000 people have signed an online petition calling for the right to freedom of assembly in Singapore.

Earlier this year, Mr Wham was jailed for hosting an event in which Joshua Wong, the Hong Kong pro-democracy activist, participated via Skype.



UNDERWATER EXPLORATION PIONEER
SYLVIA EARLE



UNDERWATER PHOTOGRAPHER
DAVID DOUBILET



EXPLORER
GHISLAIN BARDOUT



ROLEX GLIDELock
EXTENSION SYSTEM

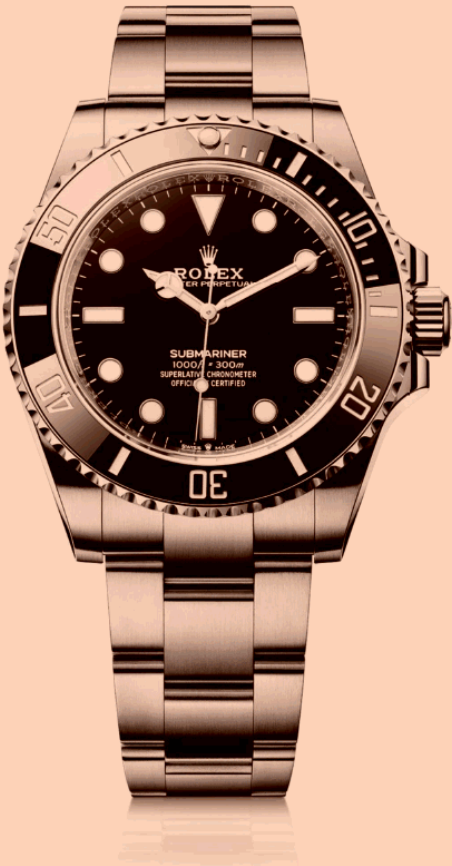


CALIBRE 3230

THE NEW GENERATION SUBMARINER

Built for divers in 1953, the Submariner soon set the standard, making it the ultimate watch for underwater exploration. A symbol of waterproofness and reliability, the iconic design transcended its original purpose. While remaining true to its diving heritage, the Submariner also became the watch of choice on land, and the perfect companion to mark the memorable moments in the lives of its wearers. Now, with a new 41 mm case and a next generation movement, the story of the Submariner continues.

#Perpetual



OYSTER PERPETUAL SUBMARINER



US pharmacies tested Amazon's latest drugs offering lays the groundwork for a long-term move into the sector **ANALYSIS, PAGE 9**

Companies & Markets

Swedish miner forges \$47bn carbon-free iron ore push

- ◆ LKAB maps 20-year investment plan
- ◆ Group aims to be 'part of the solution'

RICHARD MILNE
NORDIC AND BALTIC CORRESPONDENT
NEIL HUME
NATURAL RESOURCES EDITOR

Sweden's LKAB plans to pump \$47bn into carbon-free iron ore in a push it says is the country's largest ever industrial investment and will require electricity equivalent to a third of current national supply.

The state-owned company said yesterday it would invest up to SKr400bn over the next 20 years to use direct reduced iron, or DRI, produced using emissions-free hydrogen, raising the prospect of a steel industry untethered from fossil fuels.

Göran Persson, the former Swedish prime minister who is LKAB chairman, Hydrogen-based direct reduced iron raises hope for untethering the steel industry from fossil fuels

described it as "a risk, yes" but also an opportunity to secure the future of mining in the Swedish Arctic.

The steel industry is responsible for up to 9 per cent of global emissions, with huge volumes of carbon dioxide produced when coke is burnt in the furnaces where most iron is extracted from its ore.

Jan Mostrom, LKAB's chief executive, said the move meant the group – Europe's largest iron ore miner – would "go from being part of the problem to being an important part of the solution".

LKAB is one of the most important companies in Sweden and has taken the extraordinary step of moving the Arctic town of Kiruna and its buildings several kilometres to carry on mining.

At the heart of its plan to have net zero carbon emissions by 2045 is a switch to hydrogen-based DRI, also known as

sponge iron, which would go into electric arc furnaces rather than coke-fuelled blast furnaces. LKAB believes that could lead to its revenues more than doubling over the same period.

Mr Mostrom added that the resulting reduction in greenhouse gases at its steelmaker customers would be equivalent to two-thirds of Sweden's emissions and three times greater an effect than abandoning all cars in the country permanently.

But he conceded that the transformation would go only as fast as its clients wanted, with the potential of a rising carbon price a further inducement to moving into emissions-free steel.

European steelmakers such as Sweden's SSAB and ArcelorMittal are looking at ways of using hydrogen – potentially derived from renewable energy such as the hydroelectric power that is abundant in Scandinavia – to reduce emissions, including using an alternative to blast furnaces.

But green hydrogen requires large amounts of energy. LKAB estimated that the energy required in its transformation was equivalent to a third of Sweden's 160TWh of annual production.

"This is the biggest transformation in the company's 130-year history and could end up being the largest industrial investment ever made in Sweden.

"It creates unique opportunities to reduce the world's carbon emissions and for Swedish industry to take the lead in a necessary global transformation," Mr Mostrom said.

He added there were big risks, especially relating to the complex regulatory approvals needed. Two Swedish ministers took part in LKAB's presentation yesterday, underscoring the company's importance to the country.

Hydrogen-based steelmaking using DRI and electric arc furnaces is widely seen as the only plausible path to carbon-free steelmaking at scale.

Rain check Cineworld pictures reopening in May after winning \$750m of extra funding



Cost cuts and loans will yield \$4.9bn in debt financing to see the chain through the Covid-19 crisis — Justin Tallis/AP/Getty

ALICE HANCOCK — LONDON

Cineworld, the world's second largest cinema chain, has secured more than \$750m of extra funding after the closure of its screens across the US and UK forced it into emergency talks with lenders.

Shares in the chain leapt almost a fifth yesterday morning following the announcement of a series of cost cuts and loans that will give it \$4.9bn in total debt financing to see it through the remainder of the Covid-19 crisis.

The group said it had secured a new \$450m loan and an extension of its \$111m revolving credit facility, as well as waivers on all its bank covenants until June 2022.

It will also issue equity warrants of up to about 10 per cent of its ordinary issued share capital.

Cineworld, which already had £6.2bn of debt following its acquisition of the Regal cinema chain in

2018, added that it would be able to bring forward a \$200m tax rebate in the US to early next year.

Cinema owners across the industry have been rushing to secure financial lifelines after Hollywood studios postponed most of their blockbuster film releases until spring next year.

Rival chain AMC, which owns the Odeon cinema group, is still in talks with lenders after it warned in October that it might run out of cash by the end of the year.

The pandemic has also brought forward other fundamental questions for the industry. Several studios have announced that big movies, such as Warner Bros' *Wonder Woman 1984*, due out in December, will have their premiere on streaming platforms either exclusively or at the same time as their release on the big screen.

AMC, Cinemark and Cineplex are among chains that have signed deals with studios agreeing a shorter window for showing films exclusively in cinemas.

Cineworld said it was now operating under the likely scenario that its cinemas would reopen in May next year. The first of the delayed movie releases, including MGM's new James Bond film, *No Time to Die*, are expected in April.

It said it had also worked to reduce monthly cash burn to around \$60m but added that it was continuing discussions with landlords and suppliers across its estate to reduce costs.

Analysts at the investment bank Peel Hunt said the measures would "pivot Cineworld from the edge of a precipice to having breathing space to get through the winter".

However, Ed Young, an analyst at Morgan Stanley, warned that the medium-term debt level looked "unsustainable" and that the industry's overall outlook was negative.

ft.com/lombard

Qantas plans to require vaccine jabs before flights

PHILIP GEORGIADIS — LONDON

Qantas plans to insist that passengers on international flights have been vaccinated against Covid-19 before boarding its planes once any jab is rolled out.

Alan Joyce, the Australian airline's chief executive, said he thought a vaccine would become "a necessity" for international travel. "We are looking at changing our terms and conditions to say for international travellers, we will ask people to have a vaccination before they can get on the aircraft," he told Channel 9.

"I think that's going to be a common thing talking to my colleagues in other airlines around the globe," he said.

Qantas is the first big airline to publicly raise the possibility of refusing travel to unvaccinated passengers. The pandemic prompted Australia to close its borders to non-residents, and Qantas has suspended international flights except for a skeleton schedule to New Zealand. It does not expect to reopen most of them until mid-2021.

Vaccine breakthroughs in the past two weeks have raised hopes that international travel could start to recover in 2021 but they have also provoked questions about how the health status of would-be passengers will be verified.

Yesterday Oxford university and AstraZeneca became the third team of vaccine developers to announce their jab had been shown to be effective in late-stage trials.

David Powell, medical adviser to Iata, the airline industry body, said there was a "really strong possibility" that countries would start to demand proof of health status from travellers, particularly in areas with low prevalence of the virus such as Australia.

"Being able to have verifiable information about the health status of passengers, I think that is going to be critical," he said yesterday.

Tony Douglas, Etihad chief executive, told the Financial Times in September that health visas certifying that passengers were safe to fly could help the airline industry recover from the crisis.

Several digital health passes have since been developed, including the World Economic Forum-backed CommonPass. Iata said it was developing a pass with IAG, owner of British Airways. EasyJet said it had no plans to demand proof of vaccination before travel. IAG and Virgin Atlantic declined to comment. Ryanair did not immediately respond to a request for comment.

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Cerberus's interest in Co-op Bank is not the paradox it might look

INSIDE BUSINESS

FINANCE

Patrick Jenkins



This should be the Co-operative Bank's moment. Green finance initiatives are springing up everywhere and the UK government is pushing the agenda hard ahead of next year's COP26 climate conference.

The Co-op has pursued an explicitly ethical approach to finance since 1992 and says more than 80 per cent of customers bank with it for that reason. It has a 28-page ethical policy, much of which relates to screening out environmentally damaging finance and actively promoting environmentally positive funding. The Co-op was woke before the woke woke up.

And yet that has not translated into making money, or even being financially stable. The Co-op came close to collapse in 2013 when its then owner, the Co-operative Group, which boasts a supermarket chain, a funeral home business and an array of other customer-owned assets, could not bail it out.

The bank's bondholders, many of them US hedge funds, ended up taking control. A further humiliation came when it emerged that the Methodist minister who had chaired its board during its period of mismanagement had been picking up male prostitutes and taking class-A drugs.

Now, in another irony, US private equity firm Cerberus has emerged as a

possible buyer of the business. A three-headed monster does not look like the ideal owner of an "ethically led" bank.

From Cerberus's point of view, it does not look like an ideal investment either. As with the firm's bets elsewhere in Europe – most notably in Germany, where it owns stakes in downtrodden Deutsche Bank and crosstown rival Commerzbank – buying the Co-op Bank would be a big punt.

The Manchester-based lender's pre-tax loss widened to £152m last year on revenue of £359m. But it seems Cerberus cannot get enough of troubled European banks: in September, the firm also reached the two-bidder shortlist to buy HSBC's loss-making retail banking operations in France.

Buying any European bank right now, let alone the bad ones, looks pretty unattractive – they are heavily regulated institutions, with persistently low (or non-existent) profitability. Cerberus is rare among its private equity peers in investing heavily in the sector.

But the Covid pandemic may be sweetening the appeal for buyout firms. Bank valuations have nearly halved in Europe this year – if you believe that is a temporary ailment, they now look cheaper than ever relative to the technology and healthcare sectors on which private equity has latterly focused most attention.

For firms such as Blackstone, which own large lending businesses that rely exclusively on wholesale markets for funding, the benefits of accessing cheap bank deposits instead is obvious. According to people familiar with the firm's Kensington Mortgages outfit,

profits would double if it was combined with even a small start-up bank.

As a third plus point, owning a deposit-taking bank might be a useful hedge against a rise in the ultra-low rates that have benefited private equity leverage for so long. Profits in such a scenario expand as the gap between the cost of funding from deposits and longer-term lending rates increases.

So much for the potential appeal for private equity of buying a bank. From the point of view of everyone else – banks' current shareholders, their customers and society more broadly – the benefits of private equity ownership are less evident, and not only when it is a hound of hell snapping up a cuddly co-operative.

Any private equity firm would want to slash costs, which would be bad for staff, and bring a kind of double-leverage to the ownership structure (private equity buyouts and banks themselves are principally debt-funded). That could be risky for the system and by extension for regulators.

All that said, a knee-jerk resistance to private equity would be short-sighted. Buyout groups have helped transform the payments industry, rolling up unloved, poorly run operators (some of them once owned by banks) and fuelling the explosion of an efficient digital economy. Just maybe they could pull off a similar trick and help fix the perennial inefficiency across European banking.

One model would see them roll up second-tier banks with unprofitable fin-techs to create bigger rejuvenated lenders. For the Co-op or any other troubled bank, swapping the short-term interests of a posse of opportunist hedge funds for the long-term backing of a private equity buyer, has got to be a good trade.

patrick.jenkins@ft.com

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COMPANIES & MARKETS

Automobiles

GM forced to recall nearly 6m vehicles

Order by US watchdog over Takata airbags set to take \$1.2bn toll

CLAIRE BUSHEY — CHICAGO

A US regulator has ordered General Motors to recall nearly 6m trucks and sport-utility vehicles fitted with the same Takata airbags that have killed more than two dozen people with exploding shrapnel.

GM, which had fought the recall for four years, said the ruling would cost it \$1.2bn in total, and it expects to make a \$400m cash outlay next year.

The US National Highway Traffic

Safety Administration found that the airbags in GM models including the Cadillac Escalade, Chevrolet Tahoe and GMC Sierra posed the same hazards as Takata airbags in other vehicles.

The airbags are inflated by a propellant that can degrade with time and with heat and humidity, causing the metal canister holding it to explode into the passenger compartment.

"The GM inflators in question are at risk of the same type of explosion after long-term exposure to high heat and humidity as other recalled Takata inflators," the regulator said in its ruling.

GM said it did not think a recall was warranted "based on the factual and scientific record".

It said: "Based on data generated through independent scientific evaluation conducted over several years, we disagree with NHTSA's position."

'Based on data generated through independent evaluation, we disagree with NHTSA's position'

However, we will abide by NHTSA's decision and begin taking the necessary steps.

The decision is a blow for the Detroit carmaker, which is trying to regain momentum after shutting factories in

the spring because of Covid-19 and move forward with investments in electric vehicles.

The Takata recalls were "the largest and most complex in US history", the NHTSA said, affecting 19 carmakers, more than 60m Takata airbags, and tens of millions of US vehicles. Takata filed for bankruptcy.

Twelve GM models use the airbags without also using a chemical agent that keeps them dry enough to counteract problems from degradation.

But GM has argued since 2016 that it should not have to recall the vehicles since design differences in GM's models reduced the risk of an explosion, and since the physical environment inside

its vehicles "better protects the front-passenger [airbag] inflator from the extreme temperature cycling that can cause inflator rupture".

More than 300 public comments were posted on the agency's website about the dispute, most expressing concern about the safety of the vehicles or dismay over their diminished resale value.

One commenter who called herself "Worried Mother" wrote: "This is absolutely ridiculous to wait for something horrible to happen before reacting. You know the airbags are defective, do what is right!"

GM now has 30 days to give the US regulator a proposed schedule to notify vehicle owners and launch a remedy.

Financial services

EY agrees legal protection for staff witnesses in Wirecard investigation

OLAF STORBECK — FRANKFURT
TABBY KINDER — LONDON

EY has reached a deal with German politicians to give its auditors protection from the legal risk of giving evidence at a Wirecard inquiry and warned staff to prepare for more fallout from hearings this week.

The German parliamentary inquiry committee has called several senior managers from the Big Four firm to give evidence at its inquiry into the high-profile collapse of the payments group. EY audited the group for more than a decade and had questioned how its senior staff could adhere to client privacy rules if they had to reveal details.

Wirecard's administrator has released EY partners from all confidentiality obligations but, in the past, some German courts ruled that such a waiver was not sufficient.

According to people with direct knowledge of the matter, the parliamentary inquiry committee and EY informally agreed to seek a clarification from Germany's federal court of justice to allow EY staff to reveal previously confidential details about their work for Wirecard without breaking any rules.

In the informal deal, EY partners will on Thursday decline to testify and will be issued a fine by the committee. The

'EY is fully supportive of all official investigations and inquiries'

Andy Baldwin, EY

witnesses will then challenge the fine at the federal court, which will decide if the administrator's waiver is sufficient.

EY has been criticised for its repeated failures to spot problems at Wirecard.

The committee has summoned EY partners Martin Dahmen and Christian Orth as well as Deutsche Bank's head of accounting Andreas Loetscher, who left EY in 2018.

Yesterday, the firm said its staff were willing to give full evidence in parliament only if they were sure they were legally allowed to do so.

It added that the "legal situation was controversial", pointing to past rulings by German courts concluding that a waiver by the administrator was "not sufficient" and needed to be granted by the company's management or supervisory board instead. At Wirecard, both bodies ceased to exist this summer.

Andy Baldwin, EY's global managing partner for client service, said: "EY is fully supportive of all official investigations and inquiries, including those by the German Bundestag. We are hopeful that the witnesses invited in a personal capacity can be fully released from confidentiality so they can best assist the inquiry."

EY said it had taken this position because of the "high criminal and professional risks" for auditors. "Violations may result in imprisonment of up to a year or fines of up to €10m," it said.

An internal email sent to EY partners this weekend revealed the firm is braced for the testimony of partners from KPMG, which was hired by Wirecard's supervisory board to do a special audit after allegations reported by the Financial Times. The email said it expected "negative comments . . . related to EY Germany's audit work".

Technology. Political reckoning

Facebook plots way to mend fences with Biden

Stakes are high for social media monolith that infuriated the Democrats

KIRAN STACEY — WASHINGTON
HANNAH MURPHY — SAN FRANCISCO

Facebook is plotting a charm offensive to repair ties with the incoming Biden administration, as it looks to stave off the threat of being more heavily regulated or even broken up.

Company executives are planning a push to encourage users to take a coronavirus vaccine, as well as incentivising people to share content related to the Paris climate agreement, which Joe Biden has promised to rejoin, in the hopes of winning favour in Washington.

The social media company has long been a source of anger among senior Democrats, many of whom blame it for not doing enough to combat misinformation.

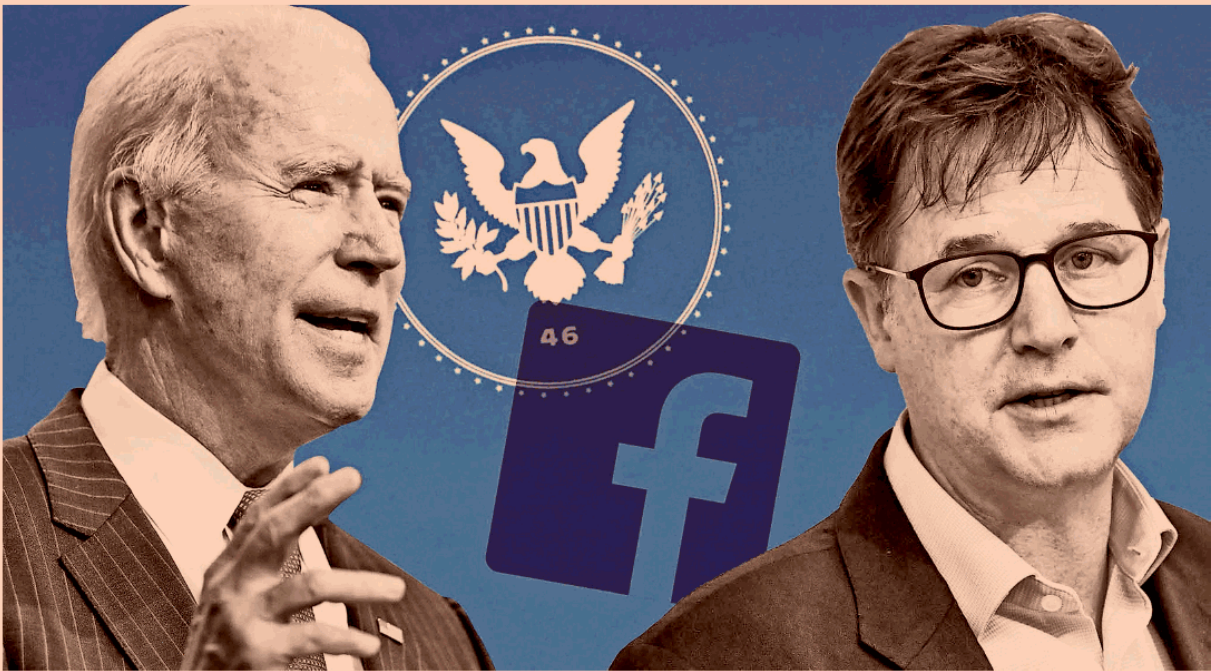
In the days after this month's election, Bill Russo, Mr Biden's deputy communications director, posted a series of tweets attacking the company. "If you thought disinformation on Facebook was a problem during our election, just wait until you see how it is shredding the fabric of our democracy in the days after," he said in one.

Facebook hopes that Nick Clegg, the company's vice-president of global affairs, will help mend relations. The former British deputy prime minister struck up a rapport with Mr Biden when both were in office nearly a decade ago.

The next few years are likely to prove one of the most important periods in Facebook's history, and could even determine whether it will survive in its current form. The company is under investigation by the Federal Trade Commission and state attorneys-general for violating competition laws, and could face being broken up.

Members of Congress are continuing to push for a national privacy law, tougher rules on misinformation and limits to Section 230, the law that guarantees social media platforms protection from being sued over content posted by their users.

Earlier this year, Mr Biden publicly urged Facebook to crack down on misinformation and overhaul its decision not to fact-check political advertising, after the platform ran a false political advert claiming he had blackmailed Ukrainian officials in order to thwart an investigation into his son Hunter.



Facebook hopes that Nick Clegg's links to Joe Biden will work in its favour
FT Montage

"President-elect Biden has a clear-eyed view of some of the damage that Facebook has done to society and to our democratic norms and institutions because he's been on the receiving end of massive misinformation and disinformation campaigns," said Jim Steyer, lawyer and chief executive of Common Sense Media, a non-profit advocacy.

"We're really on the cusp of a potentially transformational period in terms of federal regulation and legislation as it regards the tech industry."

Brian Rice, public policy director at Facebook, said: "Facebook has operated under both Democratic and Republican presidents, and we've learned that no matter which party is in charge of which branch of government, there are always opportunities to work together."

In its attempt to secure a hearing from the new administration, Facebook is planning a series of initiatives that align with Mr Biden's top priorities in government, insiders say. The company will expand its efforts to combat misinformation about the coronavirus pandemic, and is considering the insertion of a banner advertisement at the top of users' news feeds encouraging them to take a vaccine once it is approved.

Such a move threatens a backlash from the majority of Americans, however, who say they are not convinced that a vaccine will be safe and are not sure they will receive one.

The company is also working on how to promote action on climate change, including a range of stickers, buttons and other functions to encourage users to share content about the Paris accords.

Mr Biden will now have to decide whether to lend his weight to various Congressional efforts to regulate social media, including whether to follow through on his threat to try to repeal Section 230. And his pick to head the FTC will decide whether to push for Facebook, which bought Instagram in 2012 and WhatsApp in 2014, to be broken up altogether.

In Washington Facebook plans to give a greater public role to Sir Nick, who has known Mr Biden since they were in parallel jobs from 2010 until 2015. Like Mr Biden, Sir Nick considers himself a political centrist who has attempted to move British politics away from its traditional left-right divide.

The pair have stayed in touch since 2015, jointly helping found the Transatlantic Commission on Election Integrity,

'A lot of the Democrats simply hate Facebook right now. We know Nick Clegg is not going to save us from that, but at least he will help us get a hearing'

an international organisation dedicated to fighting foreign interference in western democracies, and even recording an hour-long podcast together in 2018.

One senior employee at the company said: "A lot of the Democrats simply hate Facebook right now. We know Nick Clegg is not going to save us from that, but at least he will help us get a hearing."

Another person said Sir Nick will probably play a similar role to that played in the last few years by Joel Kaplan, the veteran Republican operative who has spearheaded the company's attempts to get close to Donald Trump, the outgoing president.

Many however warn that the company's latest push to win friends on the left is likely to prove insufficient.

Jesse Lechrich, head of Accountable Tech, a social media non-profit group and a former foreign policy spokesman for Hillary Clinton, said: "I'm sure Facebook will hire Democratic operatives and try to leverage pre-existing relationships with people in Biden-world."

"But Biden's team has been unsparing in their criticism of Facebook and I'm cautiously optimistic those relationships won't stop the new administration from taking a hard line."

Food & beverage

Danone sets high margin bar as it axes jobs

LEILA ABBODD — PARIS

Danone will cut up to 2,000 jobs, or 2 per cent of its workforce, as part of a reorganisation aimed at giving more power to country managers and squeezing out efficiencies.

The maker of Evian bottled water and Activia yoghurts said the changes would save €1bn by 2023, and promised that its recurring operating margin would return to pre-Covid levels of above 15 per cent by 2022.

The announcement comes a month after Emmanuel Faber, chief executive, announced an overhaul of management, as well as plans to sell underperforming businesses and cut its product portfolio.

Mr Faber is seeking to combat a growing disillusion among investors, who have sent the shares down 30 per cent this year.

He cast the margin target as the most ambitious Danone had set, but admitted some investors might have trouble believing it, given the volatility

sparked by the pandemic. "There has never been a moment in which it's harder to convince the market of our longer-term perspectives . . . But we are trying to be transparent. I am super serious about getting the margin to mid-to-high teen range."

Danone has fared worse than many of the larger consumer groups it competes with since the pandemic began, in part because of the products it sells. Unlike Reckitt Benckiser or Procter & Gamble, it does not sell the cleaning products that have been bestsellers.

Its bottled water business has also suffered from the closures of restaurants and working from home, which caused a 17 per cent contraction in sales the first nine months. Nor has it benefited much from consumers returning to familiar brands of packaged foods, which has boosted demand at companies such as Kellogg's and Kraft-Heinz.

Danone also has problems not linked to Covid-19, such as weak demand at its baby formula unit as birth rates fall, especially in the key market of China.

The situation has left Mr Faber grappling with shrinking sales and a compressing margin. Sales fell 3.6 per cent to 12.2bn in the first half, while the margin lost 72 basis points to 14 per cent.

Danone's shares fell 5 per cent yesterday after the announcement, deepening a slump this year that has been far worse than its larger competitors.

The new organisational structure will shift focus to geographical areas rather than product categories. Competitors such as Nestlé have long followed a regional strategy, but it remains to be seen whether it will pay off for Danone, which is much smaller and with a narrower product portfolio.

Bruno Monteyne, a Bernstein analyst, voiced concern that the new plan would cause distraction at Danone. "We've previously worried about structurally low growth in [Danone's] markets, we now also have to worry about a long period of organisational turmoil," he wrote in a note. "These are major shifts that will absorb lots of corporate energy for at least 12 to 18 months."

Mining

Iron magnate rails at Australia's Covid relief

JAMIE SMYTH — SYDNEY

Gina Rinehart, Australia's richest person, has lashed out at politicians for their high levels of spending in response to Covid-19 and warned the mining industry could face future tax increases as a result.

The iron ore magnate, whose wealth is believed to have soared to A\$29bn (\$21bn) over the past year due to Chinese demand for the steelmaking ingredient, also hit out at parts of the media, which she accused of viewing mining as a "dirty word" despite its economic contribution.

In a video posted online yesterday, Ms Rinehart criticised Australia's political establishment for spending policies that have pushed debt levels to new highs.

Politicians "take the easy road [with] each party saying 'look what we've spent, or will spend'", said Ms Rinehart, who described this as "vote-buying".

"And guess whose money they are spending? Their own? Of course not, it's the taxpayers . . . which is why our

taxes continue to be too high," added Ms Rinehart.

The Covid-19 crisis has blown a hole in the conservative government's fiscal position and dashed its pledge to deliver a budget surplus this year. The deficit is forecast to hit 11 per cent in the 12 months to June 2021. But Australia is in better shape than many of its OECD part-



ners, with its A\$703bn net debt equivalent to 36 per cent of gross domestic product as of the end of 2020-21. The Australian Financial Review recently listed Ms Rinehart as the country's richest person. Hancock Prospecting, the group founded in 1955 by Lang Hancock, her father, and now controlled by Ms Rinehart, reported a 55 per cent year-on-year increase in profits to

A\$4.07bn in the 12 months to June.

The boom for Australian miners has caused some analysts to predict that authorities could increase taxes or royalty payments by the industry to help pay for the huge costs of supporting the economy during Covid-19.

The Australian mining industry has faced widespread criticism this year following Rio Tinto's decision to blow up a 46,000-year-old aboriginal site.

Ms Rinehart also pointed to the decision of the previous Labor government to impose a carbon and a mining tax in the years after the global financial crisis.

"We can't sit on our laurels and think that if we do nothing the double whammy won't return in some foolish form or another to devastate our industry," said the 66-year-old, who was one of the corporate leaders of a campaign to "axe" Labor's mining tax.

Ms Rinehart is a contentious figure in Australia, where she has donated millions of dollars to the rightwing Institute of Public Affairs, a think-tank that promotes climate change scepticism.

COMPANIES & MARKETS

Amazon pharmacy puts incumbents to test

Healthcare figures affect to be unfazed by offering but groundwork is being laid for deep long-term push into sector

DAVE LEE AND ALISTAIR GRAY

Incumbents in the US healthcare sector have sought to calm investors spooked by the arrival of Amazon's long-awaited pharmacy, with executives lining up to peg the effort as a minor threat.

Still, four of America's largest healthcare stocks — CVS, Walgreens, Cigna and United — began yesterday's trading a combined \$40bn lighter after a sell-off since Amazon declared last Tuesday that it would bring its "customer obsession to an industry that can be inconvenient and confusing".

Amazon's offering — a mail order drugstore and discount card — was made immediately available in 45 US states, building on what had already been offered by PillPack, the online pharmacy Amazon acquired in 2018 for \$753m.

Industry figures and analysts said Amazon's strengths — wide selection, price and fast delivery — would not necessarily help it upend the retail pharmacy business.

"People [stock market investors in rivals] have been freaking out," said Brian Tanquilut, a healthcare analyst at Jefferies. "But in reality . . . it doesn't seem like there should be much concern here, at least in the near term." There were "still a lot of people who like going to their pharmacy", including older customers, who "view the trip as one of the highlights of their week".

Lawton Burns, healthcare management professor at the Wharton School,

"The effect takes years. The company just grows. It's this giant sucking sound that you'll never hear"

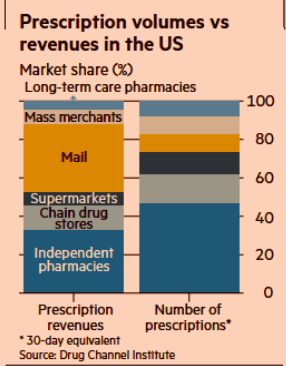
said Amazon's plan would attract a comparatively less lucrative cohort of drug buyers.

"They may get the young millennials who occasionally need an acne drug," he said. "Or young people who have herpes or who want birth control. That's not where the money is in healthcare, or where the money is in the sale of pharmaceuticals."

Mail order accounts for less than a tenth of prescription volumes, according to data from Drug Channel Institute, although it has an outsized presence in the market for higher-priced medications for chronic and complex illnesses such as cancer, multiple sclerosis and HIV.

Amazon Pharmacy does not offer this kind of drugs. It instead competes with what is available at local stores.

"They are a formidable competitor in



Shares in participants such as Walgreens have dropped since Amazon said it would bring its 'customer obsession' to bear in the industry — Alexi Rosenfeld/Getty

every sense," conceded James Kehoe, chief financial officer at Walgreens Boots Alliance, speaking at Wolfe Research's Annual Healthcare Conference. "But this is a little bit apples compared to oranges. When you want to go and get your Covid vaccination, are you going to call Amazon or are you going to call Walgreens or CVS?"

Cigna, the insurance and pharmacy group, saw its stock fall 6 per cent over the week on fears Amazon would upend the industry — despite being an exclusive partner with Amazon on the endeavour. Evernorth, a Cigna subsidiary, will administer Amazon's prescription discount card, offered to members of its \$119-per-year Prime subscription offering.

The card, one of several on the market, allows the customer to find a better deal on drugs than offered by their insurance plan. The card can be used to buy drugs through Amazon Pharmacy's mail order, or from one of 50,000 participating pharmacies that were already part of Evernorth's scheme. They include CVS, Walgreens, Rite Aid and the other big names.

"Our thinking is real simple here," said Timothy Wentworth, Evernorth's chief executive, at the Wolfe Research event. "Amazon is going to go into pharmacy. If they're going to go into pharmacy, I would much rather be working with them than not. I would much rather harness what they do and create value for my book of business rather than view it as some threat that I have to stop."

Amazon's discount card is similar to one already offered by GoodRx, a Santa Monica-based company that went public just last month. Last week it lost 28 per cent of its value in the aftermath of Amazon's announcement before staging a small rally.

"We've had a few competitors pop up over the past decade of doing this," Mr Hirsh said. "And every time a competitor pops up, our traffic goes up, and our business goes up because people do some homework, or they talk to their doctor, and the doctor recommends GoodRx."

A study by investment bank SVB Leerink suggested that prices for the 10 most commonly prescribed drugs were almost 50 per cent lower on GoodRx

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Financials

Investors join drive to reduce antibiotics in food and drugs

ANDREW JACK

A dozen institutional investors with \$71n under management globally are joining forces to pressure food producers, restaurants, retailers and pharmaceutical companies to cut antibiotic usage and tackle the growing dangers of drug resistance.

Amundi, Aviva Investors, CDC, Legal & General Investment Management and Northern Trust Asset Management are among investors backing Investor Action on Antimicrobial Resistance (AMR) with commitments to scrutinise food and medicine companies' use of antibiotics before investing and to engage with businesses in which they hold stakes to reduce misuse of the drugs.

Their action comes amid rising concern over the number of patients dying because of resistance to antibiotics, fuelled by excessive use in animals and humans. Coronavirus has intensified the threat, as antibiotics have been mis-prescribed or used for complications linked to the outbreak. Some estimates suggest it could kill 10m a year by 2050.

Professor Sally Davies, UK special envoy on AMR and England's former chief medical officer, said: "AMR already has the potential to be devastating in years to come, unless we urgently collaborate to act against it. From the finance to the food sector, healthcare professionals to the public, we need to work together to build back better and prepare for the future."

Several of the investors have already been active in pressing pharma companies to reduce manufacturing pollution and cut incentives to sales staff to promote antibiotics. They have also been active in pressuring agro-food companies' managements and launching shareholder resolutions to cut their use.

The alliance, backed by the UN-supported Principles for Responsible Investment and the UK, was co-ordinated by Farm Animal Investment Risk & Return, funded by investor Jeremy Collier, chairman of Collier Capital. Fairr recently launched a Protein Producer Index showing that among 60 big meat, fish and dairy companies, 70 per cent had "poor levels of antibiotic stewardship".

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COMPANIES & MARKETS

Fixed income. Regulatory warnings

String of defaults sends chill through China corporate debt



Investor faith shaken that local governments will always bail out state-owned borrowers

TOM MITCHELL — SINGAPORE
SUN YU — SHANGHAI

When a state-owned coal company in central China defaulted on a bond worth \$152m this month, the slip-up seemed unlikely to send tremors through the world's second-largest economy.

Prior to the default by Yongcheng Coal and Electricity Holding Group on November 10, only five Chinese state-owned enterprises had failed to pay back bondholders in the first 10 months of 2020, according to Fitch Ratings — consistent with levels in recent years.

But within a fortnight, Tsinghua Unigroup, a high-profile state technology group, would also default.

That prompted China's top financial official, vice-premier Liu He, to warn borrowers that Beijing would take a "zero tolerance" approach to misconduct in financing deals, such as misleading disclosures or attempts by companies to evade their debts.

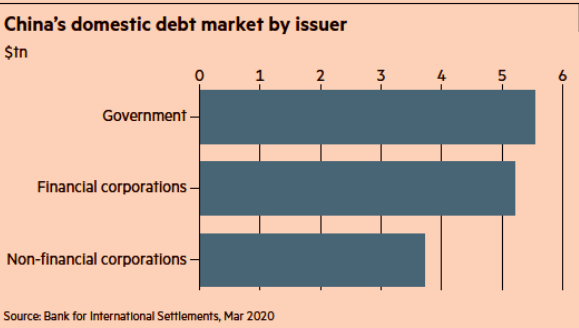
The developments have rattled China's nearly \$4tn corporate debt market, of which SOEs are estimated to account for more than half.

In the week after Yongcheng Coal's default, at least 20 Chinese companies suspended plans for new debt issues totalling Rmb15.5bn (\$2.4bn), all citing "recent market turmoil".

Mr Liu's warning challenges many investors' long-held assumption that local governments will always bail out state-owned borrowers.

Analysts now fear investors that will take a dimmer view of the debt, piling further pressure on borrowers.

"People don't de-risk because they think they can wait for governments to step in before they have to sell assets,"



said Logan Wright, an analyst at research firm Rhodium Group. "But now there's going to be greater government tolerance for pain."

The recent defaults are different from those in previous years "because local governments are now being considered a source of risk themselves, rather than a source of stability", he added.

"The risk is that these events have permanently broken investors' trust in the blanket support of local SOEs by local governments," Xiaoxi Zhang and Wei He, analysts at Gavekal, wrote in a research note. "It can be difficult to rebuild such trust once it has been lost."

Foreign investors have been increasing their exposure to Chinese bonds but remain cautious on SOE debt.

According to Goldman Sachs, such investors own about 9 per cent of total onshore Chinese central government debt. But they hold less than 1 per cent of the country's outstanding corporate debt — a market estimated at \$3.7tn for non-financial companies, according to the Bank for International Settlements.

If domestic investors were to become similarly wary of local SOEs — which Gavekal estimates account for 60 per cent of all company debt — it could put even more pressure on such firms and

their often cash-strapped government owners.

Some workers at Yongcheng Coal say they have not been paid for months but many investors have been content to ignore warning signs because the parent company is one of Henan province's largest energy groups and seemed to have plenty of cash on hand.

Huachen Automotive Group, another SOE that defaulted in late October, was also thought to have the backing of its government owner in north-eastern Liaoning province.

One of Huachen's units is BMW's partner in its successful China manufacturing joint venture.

Yongcheng and Huachen had another thing in common — both companies' debt was also deemed triple A by big rating agencies.

According to information provider Wind, 70 per cent of all outstanding Chinese corporate and government debt is rated triple A, despite economic stresses caused by Covid-19.

While China has weathered the pandemic far better than any other big economy, full-year growth is projected to come in at just under 2 per cent — posing a severe test for companies used to 6 per cent or higher.

A power plant in Shanxi, northern China. While the country has weathered the pandemic better than other big economies, full-year growth is projected to come in at just under 2 per cent

Kevin Frayer/Getty

Overall credit growth in China has been stable this year but many regions — Henan and Liaoning included — have been struggling.

"When the economy is under pressure, government financial support is limited," said Shen Meng at Chanson & Co, a Beijing-based investment bank.

"There's not enough credit flowing through the system as a whole . . . [local governments] are reacting to the fact they have constrained resources as well," added Mr Wright.

The defaults have underlined concerns around investor disclosure.

In the immediate aftermath, a Yongcheng Coal executive told creditors that most of its cash was tied up in "restricted" deposits.

Huachen in September transferred its shares in BMW's JV partner to a separate subsidiary, which later pledged them to a creditor.

In its statement on Sunday, Mr Liu's committee warned issuers that authorities would "severely punish" any instances of "false information disclosure [and] malicious asset transfers".

Yongcheng Coal did not respond to a request for comment.

On Monday, a Huachen subsidiary said in a statement that its parent was being investigated by China's securities regulator for "alleged violations of information disclosure laws".

Investors are waiting to see how far regulators are prepared to bear down on the market, given the risk of repercussions for the wider financial system.

Chinese officials "recognise there's no lending discipline in the market", said Michael Pettis, a finance professor at Peking University. "Right now is probably not the time to test what would happen if there were real, serious defaults and losses taken. But eventually they have to do it."

Additional reporting by Sherry Fei Ju in Beijing

'The risk is that these events have permanently broken investors' trust'

Commodities

Trafigura signs cobalt deal with Congo to improve informal mining sites

HENRY SANDERSON

Trafigura has signed a deal with the Congolese government to help improve conditions at informal mining sites in return for supplies of the battery metal cobalt.

The Geneva-based commodity trader said it would finance the creation of up to six controlled zones where informal miners would work to dig copper and cobalt with better safety protections after its agreement with state-owned Entreprise Générale du Cobalt.

The deal comes as makers of electric cars such as Tesla have pledged to help improve working conditions in the Democratic Republic of Congo, the world's largest producer of cobalt, which is used in lithium-ion batteries.

The country's mineral-rich Katanga region is notorious for its informal mining sites where cobalt is dug for by hand with few safety protections, sometimes by children.

Tesla this year joined the Fair Cobalt Alliance, an industry-backed group that aims to improve conditions at informal mining sites in the DRC.

James Nicholson, head of corporate

responsibility at Trafigura, said there had been a "sea-change" in the attitude of carmakers and battery producers to the DRC with many groups willing to consider buying the metal from the country now if labour problems could be resolved.

"For too long, there has been criticism of the cobalt industry and this helps us address a fundamental weakness," he said.

But some carmakers are still reluctant to source from the DRC's informal



The Democratic Republic of Congo is the world's largest cobalt producer

mining sector. Volkswagen said last week that it did not accept cobalt from artisanal mines in the country.

In February, the DRC government said EGC would have the power to buy up all informal, or artisanal, cobalt in the country in an effort to formalise the sector and improve prices for miners.

Most hand-mined cobalt is currently sold to Chinese traders at markets in and around the city of Kolwezi.

"For our country to benefit from the intrinsic value of cobalt, currently boosted by the development of carbon-free energies, it was essential that measures be taken to support the formalisation of this industry," said Jean-Dominique Takis Kumbo, EGC's managing director. "In fact, by cleaning up this sector, which has been subject to recurring illegality and fraud for several years, and of which our artisanal miners are the first victims, society stands to benefit as a whole."

Trafigura said it would finance the creation of the zones as well as the installation of ore purchasing stations. Metal from the sites would also be traced using QR codes to certify its origin for customers, Mr Nicholson said.

Asset management

Mutual fund conversions to ETFs set to gather momentum after US moves

STEVE JOHNSON

Moves by two US asset managers to convert some of their mutual funds into exchange traded funds could trigger a wave of copycat manoeuvres by rival houses, industry figures believe.

Texas-based Dimensional Fund Advisors said last week that it intends to convert six of its mutual funds, with total assets of \$20bn, into actively managed ETFs during 2021. It has also launched its first ever standalone ETFs, two of which listed last week.

DFA is following in the footsteps of Guinness Atkinson, a small Californian boutique, which hopes to convert two mutual funds with assets of \$21m into ETFs by the end of the year, in an industry first. Few believe the two providers will be the last to shift towards the faster-growing fund structure.

"I think, in hindsight, we could very well look back at this moment and say this is a significant trend," said Ben Johnson, director of global ETF research at Morningstar. "I think we will see other asset managers taking notes, observing this closely and looking to

re-platform current strategies, which they already have as a mutual fund, as an ETF."

Sean Tuffy, head of market and regulatory intelligence at Citigroup Securities Services, said it was a "significant step in the evolution of the ETF industry" and "an efficient way to launch a scale ETF business".

Robert Tull, president of asset

'It's very unusual for people to do what DFA is doing but I think it's the right thing to do'

management-to-consultancy company Procure Holdings and an ETF industry veteran, said he was "surprised" other houses had not already taken the step.

"It's very unusual for people to do what DFA is doing but I think it's the right thing to do," he said. "The ETF is giving the investor a better product for less money."

Although the US mutual fund industry is still far larger than its ETF counterpart with assets of \$21.3tn at the end

Equities

Deutsche Börse to back ISS in lawsuit against SEC

ATTRACTA MOONEY

Institutional Shareholder Services, the world's largest proxy adviser, says its new owner, Deutsche Börse, will back it in a legal fight against the top US financial regulator that will help shape the market for shareholder advice.

The US-headquartered group is suing the Securities and Exchange Commission over sweeping new rules the regulator approved in July designed to rein in the influence of the likes of ISS and Glass Lewis, which issue guidance to investors on everything from executive pay to mergers and acquisitions.

Big business has become increasingly critical of proxy advisers, arguing they have become de facto corporate governance setters and rebuking them for weighing into debates around environmental and social issues.

Under the new rules, proxy advisers will be required to disclose conflicts of interests and, if their recommendations on an issue such as executive pay are rebutted by the company involved, to share that with their clients who include many of the world's largest asset managers and pension funds.

ISS chief executive Gary Retelny told the Financial Times that "Deutsche Börse was very familiar with our case [against the SEC]. No one, not them or us, is happy this is what we have to do.

'No one is happy this is what we have to do. But we feel we have to and they fully understand'

But we feel we have to and they fully understand."

Deutsche Börse this week agreed to buy a majority stake in ISS in a deal valuing the shareholder advisory group at €1.9bn, as exchange operators expand their reach in financial markets.

ISS filed the lawsuit more than a year ago but paused it in February as the regulator finalised the rules. It reactivated it in August after the SEC approved the regulations.

"[Suing the SEC] is not necessarily what we would have wanted to do. We pride ourselves on having a good relationship with regulators around the world," said Mr Retelny.

Deutsche Börse was offered a sign this week of how bruising the legal fight has become. The National Association of Manufacturers took the rare step of filing a motion to intervene on behalf of the SEC in ISS's lawsuit, saying it wanted to defend the new rules.

"The NAM strongly supported the SEC's recent rule increasing oversight of proxy advisory firms — a targeted, well-reasoned regulatory solution to a problem that has impacted manufacturers and investors for years," said NAM general counsel Linda Kelly.

Mr Retelny said NAM's move was surprising. He added that there was a chance that Joe Biden could seek to overturn the rules when he is in the White House but warned that "we are not counting on any of that. We are pursuing the legal challenge".



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COMPANIES & MARKETS

The day in the markets

What you need to know

- European stocks remain on course for best month on record
- Energy shares track oil price higher on both sides of the Atlantic
- Upbeat market mood spurs modest sell-off in haven assets

Stock markets were mixed against a backdrop of more positive Covid-19 vaccine news yesterday.

Wall Street's S&P 500 Index was up 0.3 per cent at lunchtime in New York after AstraZeneca and Oxford university revealed that their coronavirus vaccine had exceeded the level of efficacy sought by regulators.

The Stoxx Europe 600 index climbed to its highest level since February before paring back gains in the afternoon to close down 0.2 per cent.

Still, the continent-wide benchmark has risen nearly 14 per cent so far in November, putting it on course for its best month on record.

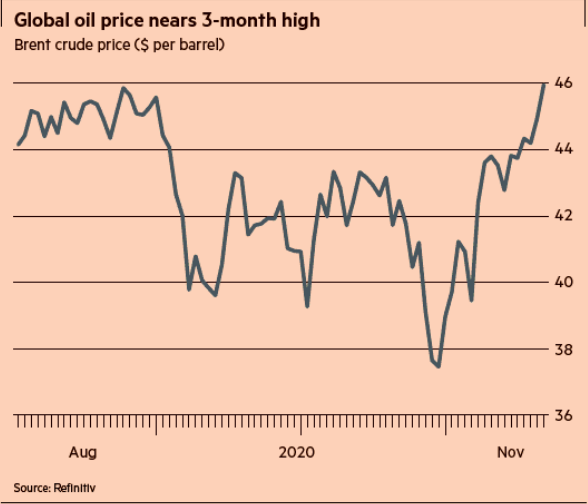
London's FTSE 100 fell 0.3 per cent while Frankfurt's Xetra Dax ended the day 0.1 per cent lower.

The moves came after Oxford and AstraZeneca said late-stage trials showed their vaccine candidate had an average efficacy of 70 per cent, with one dosing regimen achieving 90 per cent.

AstraZeneca said it would submit the data for regulatory approval immediately.

Hani Redha, a portfolio manager at PineBridge Investments, said the AstraZeneca results were "more important for markets" than the Pfizer and Moderna news.

AstraZeneca's jab could be stored long-term at normal refrigerated temperatures



— something that will help with widespread distribution — while the others require a storage temperature as low as minus 70C, he said.

The drug also looks set to be a fraction of the price of the other vaccines, added Mr Redha, and a large number of doses have been pre-ordered by governments around the world.

Energy stocks were winners on both sides of the Atlantic, tracking the price of oil. International benchmark Brent crude rose 1.9 per cent to \$45.83 a barrel.

Ronald Temple, head of US equity at Lazard Asset Management, said that the wet blanket markets were grappling with was "the ongoing inability or unwillingness of US Congress to pass incremental Covid relief".

The failure of US lawmakers to approve a further stimulus deal could lead to the failure of more businesses and rising unemployment in the coming months, he said.

The upbeat sentiment led to a modest sell-off in haven assets, taking the yield on 10-year US Treasuries up 3 basis points to 0.86 per cent and gold 1.6 per cent lower to \$1,839 an ounce.

Camilla Hodgson

Biden needs to cut codependency on Wall Street's highs

Mohamed El-Erian

Markets Insight



As US president-elect Joe Biden contemplates his first 100 days in office, he should consider what can be done over time to reduce the extreme codependency that developed between his predecessor and the US stock market.

Mr Biden is unlikely to put this very high up on the list of challenges he faces. However, the longer he delays in deciding and communicating his approach, the greater the likelihood that he will confront the same dilemma the current leaders of the US Federal Reserve and European Central Bank faced early in their tenures. He might wish to do one thing and be forced into the opposite course of action.

Donald Trump believed and repeatedly stated publicly that the stock market validated his policies as president.

The more the market rose, the greater the affirmation of his "Make America Great Again" agenda.

The president's approach was music to investors' ears. They saw it as supporting the notion that policymakers needed asset prices to head ever higher. It reinforced the longstanding belief of a "Fed put" — shorthand for the view that the Fed will always step in to rescue the markets — to such an extent that investor conditioning changed markedly.

With so much political backing and Fed support for rising markets, pull-backs became a buying opportunity regardless of their cause.

The more often this scenario played out, the deeper the Fomo — the fear of missing out on yet another remunerative opportunity — and the more market participants it affected. The result was a notable and widening disconnect between markets and the real economy.

This has led to collateral damage risks and unintended consequences. The pattern encourages excessive and increasingly irresponsible risk taking, fuelling the risk of future financial instability.

It encourages the misallocation of resources throughout the economy. By aggravating inequality, it amplifies the "Wall Street versus Main Street" divide that slowly but surely eats away the integrity and credibility of economic and financial institutions.

Concerned about this disconnect, Jay Powell as Fed chairman and Christine Lagarde as ECB president each tried to draw a line early in their tenures by

Stock markets have drifted too far away from their purpose of efficiently allocating investible funds

putting limits on how much they would support the markets. They were forced quickly into highly visible U-turns.

The "Powell Put" has become the latest iteration of one of the market's favourite beliefs. It started at the Fed with Alan Greenspan and was also inadvertently deepened by Ben Bernanke and Janet Yellen. Over in Europe, Ms Lagarde has shouldered predecessor Mario Draghi's burden of having promised to do "whatever it takes".

The path of least resistance for Mr Biden is to keep following the path set by central bankers that was taken to an extreme by Mr Trump. He would avoid having to deal with financial volatility in addition to a health crisis, social divisions, a slowing economy and the worrisome surge in inequalities of income,

wealth and opportunity. However, this easy path would also be the wrong one.

Right at the outset of his presidency, Mr Biden needs to establish that he will not be held hostage by stock markets that have already drifted too far away from their original purpose of efficiently mobilising and allocating investible funds to spur growth.

On regulatory matters, he should signal his administration's determination to better understand and supervise the migration of risk from the banking system to other financial institutions that as yet are not comprehensively regulated.

In his approach to Fed appointments — and he has some to make before deciding next year whether to give Mr Powell a second term — he should favour people willing to restore the central bank's traditional role as a leader of financial markets and not a follower.

None of this is easy, nor is it risk free. But over his entire tenure, this approach would be less problematic than continuing to enable and empower markets that are too reliant on policy support.

As vice-president, Mr Biden dealt with the fallout of the 2008 global financial crisis. He knows all too well how hard it is to protect living standards and the economy when financially unsustainable practices reach the breaking point as a result of financial accidents due to irresponsible risk-taking.

Mr Biden needs to pivot rapidly away from Mr Trump's approach. This change would also be in the longer term interest of investors and well-functioning markets.

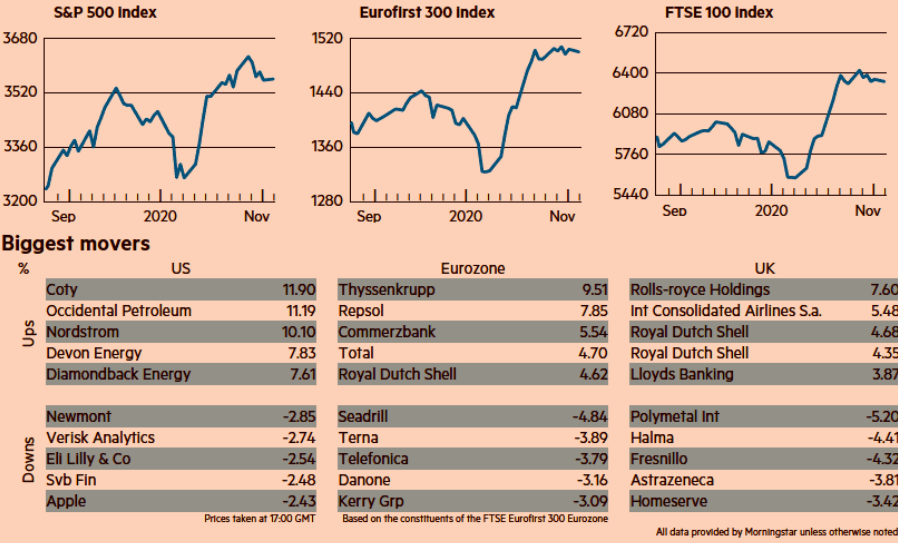
Mohamed El-Erian is president of Queens' College, Cambridge university, and adviser to Allianz and Gramercy

Markets update

	US	Eurozone	Japan	UK	China	Brazil
Stocks	S&P 500	Eurofirst 300	Nikkei 225	FTSE100	Shanghai Comp	Bovespa
Level	3561.03	1500.46	25527.37	6333.84	3414.49	107028.92
% change on day	0.10	-0.26	-0.42	-0.28	1.09	0.93
Currency	\$ index (DXY)	\$ per €	Yen per \$	\$ per £	Rmb per \$	Real per \$
Level	92.061	1.182	104.475	1.330	6.569	5.422
% change on day	-0.358	-0.253	0.636	0.075	-0.032	0.933
Govt. bonds	10-year Treasury	10-year Bund	10-year JGB	10-year Gilt	10-year bond	10-year bond
Yield	0.849	-0.582	0.012	0.317	3.291	7.692
Basis point change on day	0.900	0.200	0.000	1.600	-2.900	11.600
World index, Commods	FTSE All-World	Oil - Brent	Oil - WTI	Gold	Silver	Metals (LMEXO)
Level	402.32	45.95	42.98	1875.70	24.17	3288.40
% change on day	0.16	1.93	1.25	0.99	0.77	1.76

Yesterday's close apart from: Currencies ~ 16:00 GMT; S&P, Bovespa, All World, Oil ~ 17:00 GMT; Gold, Silver ~ London pm fix. Bond data supplied by Tullett Prebon.

Main equity markets



Wall Street

Shares in recruitment agency Robert Half rose after BMO Capital Markets recommended investors buy shares in the staffing sector on the prospect of a gradual economic recovery.

"Staffing stocks are typically early-cycle outperformers," said Jeffrey Silber of BMO, following data that showed US business activity in November had expanded at its fastest rate in more than five years.

Signs that the US economy was bouncing back combined with positive vaccine trial data from AstraZeneca spurred a rally in energy stocks with Occidental Petroleum, Apache Corp and Marathon Oil all climbing.

Gold miners followed the gold price lower, taking Newmont Corp and AngloGold Ashanti down.

Tech groups that had benefited from the pandemic were among the laggards.

Zoom Video Communications, the provider of a videoconferencing app used by homeworkers, was one of the biggest fallers on the Nasdaq Composite.

Investors also sold shares in DocuSign, a business that helps organisations to manage their documents electronically.

Tesla, which has already risen more than 500 per cent this year, climbed further in anticipation of the maker of electric cars joining the S&P 500 next month. Naomi Rovnick

Eurozone

Credito Valtellinese soared after it received a €737m takeover offer from Crédit Agricole, valuing the Italian bank at €10.5 per share — a 21 per cent premium to its closing price on Friday.

Crédit Agricole also climbed after the French lender said the tie-up with Credito Valtellinese would boost its earnings by 2022 and double its market share in Lombardy, Italy's wealthiest region.

The deal represented "a significant improvement into the largest and wealthiest region in Italy and in particular in Milan", Crédit Agricole said.

News of a third potentially viable Covid-19 candidate from AstraZeneca boosted shares in oil producers and travel groups that had been hit hard by the pandemic.

German airline Deutsche Lufthansa rose as did Spanish energy group Repsol.

Meal kit provider HelloFresh was one of the worst performers on the Stoxx Europe 600 index after its purchase of Factor75, a US-based provider of prepared meals, for up to \$277m.

The Berlin-based group has benefited from the pandemic, more than doubling its revenues between July and September. But Barclays said that, from here on, HelloFresh — dubbed a stay-at-home stock — was likely to remain "rangebound until we see the growth trajectory post-Covid-19". Naomi Rovnick

London

AstraZeneca fell after the drugmaker reported that its Covid-19 vaccine had an average efficacy of 70 per cent.

This headline number made AstraZeneca's vaccine appear less effective than those under development by US rivals Pfizer and Moderna, which both reported a level of 90-plus per cent.

AstraZeneca has vowed not to make a profit on its vaccine during the pandemic, although it reserved the right to revisit this pledge next year. Vaccines were also less profitable in general than other drugs, analysts noted. "We don't see the vaccine as being particularly financially impactful," to AstraZeneca, said Barclays.

The vaccine news helped to lift shares in companies that would benefit from a resumption of economic activity.

Aeroplane engine maker Rolls-Royce gained, as did oil producer Royal Dutch Shell and British Airways and Iberia owner IAG.

Cineworld was the top performer on the mid-cap FTSE 250 after the world's second-largest cinema chain secured more than \$750m of extra funding after the closure of its US and UK screens.

The group, which already has more than \$8bn of net debt, said it had secured a new \$450m loan and an extension of its \$111m revolving credit facility, as well as waivers on all of its bank covenants until June 2022. Naomi Rovnick

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FT500: THE WORLD'S LARGEST COMPANIES

Stock	Price	Day Chg	52 Week			Yld	P/E	MCap m	Stock	Price	Day Chg				
			High	Low	Yld										
Australia (ASX)															
ANZ	22.28	-0.06	27.29	14.10	6.47	15.52	46079.95	Finland (HEX)							
BHPBillitn	37.05	0.81	41.47	24.05	5.63	15.97	79472.24	Nokia	3.31	0.00	0.00				
ComResAU	78.60	-4.00	91.05	53.44	5.51	18.32	10028.19	Orion	35.40	-0.47	-0.47				
CSL	316.68	3.15	342.75	242.67	0.94	42.82	104913.94	France (Euronext)							
NatAusAuk	22.74	0.01	27.49	13.20	6.58	22.58	54490.98	Airbus Grp	90.14	1.50	1.50				
Telstra	3.08	-0.01	3.49	2.66	3.30	18.79	26673.22	AXA	136.65	-2.85	-1.44				
Westpac	19.87	-0.12	49.93	29.57	3.17	33.94	44647.8	Alpe	18.01	0.17	0.29				
Woolworths	37.04	-0.20	48.95	32.12	2.77	40.37	34892.48	BNP Par	41.40	0.54	0.54				
Belgium (Euronext)												Christian Dior	431.80	-0.80	-0.48
AdesBelvrb	95.52	0.68	75.26	29.03	2.37	11.08	111104.44	Orion	3.81	0.36	1.31				
BOF Cbp	58.30	0.67	73.58	32.44	1.75	15.15	28980.4	Danone	50.84	-1.58	-0.75				
Brazil (B3)												Orion	11.40	0.14	0.14
Ambev	14.47	0.07	19.78	3.36	3.80	24.24	41990.11	Empis	5.00	0.00	0.00				
Bradesco	22.04	0.15	32.45	14.05	1.11	7.25	18157.9	Banco S	12.23	0.07	0.07				
Caixa	3.80	-0.10	5.07	3.23	2.17	21.95	23053.94	Germany (XETRA)							
UnileverBr	26.20	0.32	32.79	19.46	3.30	12.63	22811.2	Adidas	10.00	0.00	0.00				
Petrobras	25.05	0.75	33.23	10.20	2.92	-	34382.13	Alkerm	10.00	0.00	0.00				
Vale	70.23	1.79	70.43	32.45	2.92	48.15	68443.62	Amgen	10.00	0.00	0.00				
Canada (TSX)												Boehr	10.00	0.00	0.00
BCE	56.46	-0.16	65.26	48.03	5.95	20.07	39002.63	Boehr	10.00	0.00	0.00				
BMMontvrt	94.47	1.12	104.75	55.76	4.41	13.71	46556.48	Boehr	10.00	0.00	0.00				
BNKNA5	64.04	0.56	74.42	46.38	5.57	11.51	50563.53	Boehr	10.00	0.00	0.00				
Brookfield	52.94	0.48	60.48	31.35	1.21	30.63	62833.17	Boehr	10.00	0.00	0.00				
CanadaPfr	43.94	-2.50	44.40	25.00	8.00	25.48	44478.79	Boehr	10.00	0.00	0.00				
Canlp	110.01	0.98	115.67	67.52	5.22	12.92	37517.98	Boehr	10.00	0.00	0.00				
CanNatKns	25.51	1.09	42.57	9.80	5.81	95.94	29623.57	Boehr	10.00	0.00	0.00				
CanWest	141.84	-0.45	151.46	115.91	1.89	23.51	10533.17	Boehr	10.00	0.00	0.00				
GenWldf	30.13	0.82	57.32	33.06	8.16	42.82	60534.59	Boehr	10.00	0.00	0.00				
IMV	46.19	0.19	55.60	38.88	5.78	11.18	21585.27	Boehr	10.00	0.00	0.00				
Impulsi	23.90	1.33	35.88	12.47	3.81	57.17	13401.91	Boehr	10.00	0.00	0.00				
Nutrien	60.97	1.64	64.58	34.80	4.16	23.65	26507.39	Boehr	10.00	0.00	0.00				
RYCSC	105.26	0.93	109.68	72.00	4.01	13.67	114467.54	Boehr	10.00	0.00	0.00				
Scotiabank	21.58	1.42	45.15	17.44	7.25	5.35	22272.32	Boehr	10.00	0.00	0.00				
Telus	105.15	-0.41	115.56	61.91	5.88	23.12	106933.69	Boehr	10.00	0.00	0.00				
TraDcm	65.95	0.69	77.72	40.47	4.36	13.61	96371.36	Boehr	10.00	0.00	0.00				
TorOnto	98.89	0.78	109.58	47.05	5.30	13.13	40020.52	Boehr	10.00	0.00	0.00				
Valeont	30.00	-1.06	36.02	14.01	-	3.78	8191.46	Boehr	10.00	0.00	0.00				
China (HKEX)												Boehr	10.00	0.00	0.00
AgreeChnA	2.87	0.10	3.50	2.28	7.46	4.43	41181.05	Boehr	10.00	0.00	0.00				
BK China	2.71	0.03	3.39	2.33	8.33	4.18	29235.18	Boehr	10.00	0.00	0.00				
Baidu	4.18	0.04	5.69	3.86	8.90	3.85	18880.15	Boehr	10.00	0.00	0.00				
BCE Tech	0.69	0.08	0.80	0.47	-	4.85	17.71	Boehr	10.00	0.00	0.00				
Ch China Cos	4.19	0.03	6.63	3.97	6.56	3.78	2388.36	Boehr	10.00	0.00	0.00				
Ch Envtgrht	3.06	0.11	3.97	2.40	8.22	4.45	5005.05	Boehr	10.00	0.00	0.00				
Ch-Ral Cos	5.38	0.07	9.89	4.90	4.80	3.44	1441.85	Boehr	10.00	0.00	0.00				
Ch-Ral Grp	3.96	-	5.05	3.45	3.82	3.41	2149.43	Boehr	10.00	0.00	0.00				
Ch-Ral CosBk	5.90	0.04	8.85	4.33	3.89	5.11	182891.24	Boehr	10.00	0.00	0.00				
China Vanke	28.55	-0.45	34.74	21.85	4.33	6.88	6917.14	Boehr	10.00	0.00	0.00				
ChinaFintech	3.32	0.04	4.25	2.95	8.80	3.81	18714.46	Boehr	10.00	0.00	0.00				
ChinaLife	22.00	0.44	29.90	11.54	4.89	8.30	18914.46	Boehr	10.00	0.00	0.00				
ChinaBank	50.20	0.30	50.95	29.80	2.82	11.88	2917.91	Boehr	10.00	0.00	0.00				
ChinaPfr	46.50	-0.45	50.95	29.80	2.82	11.88	2917.91	Boehr	10.00	0.00	0.00				
ChinaPfrBk	27.35	0.10	30.50	19.00	6.17	8.77	9792.17	Boehr	10.00	0.00	0.00				
ChnMinShg	4.27	-0.06	6.06	3.85	10.23	3.28	4583.32	Boehr	10.00	0.00	0.00				
ChnNatSec	22.01	0.16	26.04	13.10	0.99	2.76	2468.61	Boehr	10.00	0.00	0.00				
ChnNatSecBk	4.08	0.07	4.80	3.40	1.67	11.88	10633.69	Boehr	10.00	0.00	0.00				
ChnNatSecBk	14.80	0.38	16.88	11.94	10.05	5.34	6488.91	Boehr	10.00	0.00	0.00				
ChnShpbing	4.35	0.06	5.38	3.07	15.55	6.12	1710.78	Boehr	10.00	0.00	0.00				
ChnShpbingBk	5.42	0.09	6.20	4.76	3.41	5.59	34037.94	Boehr	10.00	0.00	0.00				
CNNC Int	4.73	0.05	5.19	4.02	2.54	15.27	11207.91	Boehr	10.00	0.00	0.00				
CSR	3.25	0.07	4.10	2.95	5.44	7.64	1832.66	Boehr	10.00	0.00	0.00				
CSRC	2.68	0.07	3.25	2.04	7.13	3.44	15119.04	Boehr	10.00	0.00	0.00				
Gre Elec Apl	0.11	0.01	0.28	0.07	-	-	1.01	Boehr	10.00	0.00	0.00				
GutsonSec	13.75	0.17	16.14	10.38	1.45	22.94	17163.91	Boehr	10.00	0.00	0.00				
GutsonSecBk	6.67	0.17	9.58	5.79	-	-	6.82	Boehr	10.00	0.00	0.00				
High HAVST	47.00	-0.07	27.00	14.00	3.90	15.85	27.00	Boehr	10.00	0.00	0.00				
Hung Pwr	3.09	0.04	4.24	2.24	5.26	23.83	1873.71	Boehr	10.00	0.00	0.00				
IM Batusi St	1.23	0.03	1.38	1.04	0.57	13.74	9831.24	Boehr	10.00	0.00	0.00				
InteChnChn	15.99	0.03	6.11	3.98	6.76	4.81	51594.23	Boehr	10.00	0.00	0.00				
InteChnChnBk	16.94	0.32	20.42	14.93	-	-	10633.69	Boehr	10.00	0.00	0.00				
Kweichow	1790.21	70.25	1828	960.0	0.18	50.85	34244.08	Boehr	10.00	0.00	0.00				
Midea	0.88	0.04	1.17	0.58	-	2.28	24.41	Boehr	10.00	0.00	0.00				
NovoD Lihts	0.28	0.07	0.37	0.24	0.56	1.88	1165.82	Boehr	10.00	0.00	0.00				
PetroChina	2.58	0.08	3.23	1.16	5.16	31.73	7022.56	Boehr	10.00	0.00	0.00				
PingAnIns	18.65	0.60	22.00	11.00	2.77	15.97	85269.69	Boehr	10.00	0.00	0.00				
PingAnSec	98.72	0.76	119.62	61.91	-	-	5.55	Boehr	10.00	0.00	0.00				
PingAnSecBk	46.76	-0.87	50.07	27.00	1.46	10.94	58654.17	Boehr	10.00	0.00	0.00				
Saichr	26.85	-0.27	26.80	16.00	7.96	15.52	47754.74	Boehr	10.00	0.00	0.00				
Shenwanong	0.05	0.00	0.10	0.03	-	-	0.17	Boehr	10.00	0.00	0.00				
ShingHing	9.08	0.23	12.59	5.22	5.73	42.36.91		Boehr	10.00	0.00	0.00				
Sinopac	1.84	0.02	2.42	1.43	-	-	10.44	Boehr	10.00	0.00	0.00				
Sinopac Int	1.88	0.02	2.59	1.57	-	-	30.88	Boehr	10.00	0.00	0.00				

Stock	Price	Day Chg	52 Week			Yld	P/E	MCap m
			High	Low	Yld			
Finland (HEX)								
Nokia	3.31	0.00	4.35	2.08	1.55	29.77	22097.53	
SampoA	35.40	-0.47	42.46	21.34	4.33	23.39	23194.35	
France (Euronext)								
Airbus Grpe	90.14	1.50	139.40	48.12	-	-	15.36	62033.67
ActiLiqud	136.85	-2.85	144.45	94.86	2.02	28.02	74945.34	
AXA	18.97	0.17	25.62	11.84	3.94	16.01	54194.5	
BNP Parib	41.49	0.54	54.22	24.51	7.31	61.20.93		
Carrefour	49.80	-0.80	49.40	25.40	1.44	41.81	62112.22	
CNP Assr	9.31	0.36	13.80	5.70	-	6.89	31747.15	
Danone	54.00	-1.66	75.16	46.03	-	17.09	4126.37	
EDF	12.01	0.03	13.61	5.98	1.28	12.15	42892.12	
Engie SA	12.22	0.07	16.86	8.63	-	26.58	51891.71	
Evotiq SA	11.55	1.15	145.00	86.76	-	-	3979.84	60390.51
Hermes Int	855.80	-21.40	865.00	518.00	0.56	77.40	10280.56	
LiLnd	386.30	-5.80	321.40	186.00	1.29	51.52	20268.87	
LMVSE	492.50	-0.05	498.80	278.70	1.00	54.79	20290.0	
Orange	10.28	-0.13	15.38	8.63	4.97	10.26	22318.17	
PernodRic	156.00	0.95	171.10	112.25	2.05	12.11	46291.87	
Renault	122.17	1.52	145.01	12.77	-	1.01	11234.01	
Safran	122.25	0.75	152.30	51.10	-	76.84	47827.82	
Sanofi	84.09	-1.76	95.82	67.85	3.83	9.29	125118.92	
Sant Gob	39.86	0.12	40.24	16.41	3.20	16.13	25108.69	
St Gob	110.75	-0.80	121.80	61.72	2.18	29.84	40525.35	
SPR Group	34.50	-	34.55	21.87	-	-	23.02	1799.95
St Gob	16.59	0.39	22.32	10.77	-	-	11.89	16695.68
Total	81.22	1.62	93.93	21.12	2.32	39.89	11257.83	
Unilever	180.00	0.35	22.45	177.35	2.94	-	72.55	22213.04
Vinci	86.56	0.60	107.35	54.76	2.41	29.80	62793.67	
Vivendi	25.29	0.20	26.65	16.60	2.43	16.29	34453.63	
Germany (XETX)								
BASF	186.80	1.20	222.60	117.10	4.80	23.20	66030.95	
BASF	58.37	0.73	70.48	37.36	5.77	26.61	63371.81	
Bayer	47.61	-0.29	78.34	39.91	6.01	42.77	52578.99	
BMW	139.88	-0.28	176.06	85.60	3.46	14.77	52578.99	
Unilever	180.00	0.35	22.45	177.35	2.94	-	72.55	22213.04
Vinci	86.56	0.60	107.35	54.76	2.41	29.80	62793.67	
Vivendi	25.29	0.20	26.65	16.60	2.43	16.29	34453.63	
Hong Kong (HKEX)								
Alibaba	71.90	-2.50	90.00	60.05	1.56	23.14	115787.21	
BOC Hold	24.65	-0.20	28.90	20.05	6.71	8.04	32821.55	
Ch OShndv	17.64	-0.64	31.00	17.56	6.22	4.01	18914.46	
ChnNatSec	43.05	-0.45	57.20	30.40	5.25	7.25	29521.15	
ChnNatSecBk	17.64	-0.64	31.00	17.56	6.22	4.01	18914.46	
ChnNatSecBk	17.64	-0.64	31.00	17.56	6.22	4.01	18914.46	
ChnNatSecBk	17.64	-0.64	31.00	17.56	6.22	4.01	18914.46	

ARTS

The screenwriters written out of film history

As the Hollywood writer Herman Mankiewicz is celebrated in new Netflix movie 'Mank', John Blesdale assesses a role that has been neglected and even derided

There but for the grace of God goes God," Herman Mankiewicz once remarked on seeing Orson Welles pass by in a restaurant. It was a suitably pithy remark from the screenwriter of *Citizen Kane*, with a bitter undertone of resentment. Now Mankiewicz himself is the subject of a new Netflix film, *Mank*, directed by David Fincher.

The film stars Gary Oldman in the role of the witty and alcoholic writer and enters into the longstanding controversy about the authorship of *Kane*, often considered the greatest film ever made. Pauline Kael, in an influential 1971 New Yorker essay titled "Raising Kane", argued that, despite Welles getting a screenwriting credit, Mankiewicz was in fact the sole author. Her claims were opposed by Welles' allies such as Peter Bogdanovich and have since been largely debunked by documentary evidence.

But Kael was pushing back against the idea of the genius director as the sole creator of a film, which, as writer, director, producer and star, Welles represented for many. To use a phrase coined by François Truffaut, the film director was the auteur — the author of the film. A mere screenwriter ranked fairly low by comparison.

Whereas in the theatre, the playwright is sacrosanct, in the movies the writer is the drummer of the band, the butt of jokes. The culture shock of moving from theatre to film is played out in the Coen Brothers' film *Barton Fink*, in which a fictional playwright played by John Turturro heads to Hollywood where his experiences become a hellish nightmare. He asks a producer where he can find a fellow writer to give him



advice and is told: "Jesus, throw a rock in here, you'll hit one. And do me a favour, Fink: throw it hard."

What makes this all the more galling is how reverentially directors speak of the script. Alfred Hitchcock once said: "To make a great film you need three things — the script, the script and the script." But, paradoxically, it is the importance of the script that ends up devaluing the writer. Why entrust something so vital to a multimillion-dollar project to just one person? *Casablanca* is based on an unproduced play by two writers and has three further credited writers, with some of its most famous lines, including "Here's looking at you, kid" and "I think this is the beginning of a beautiful friendship"

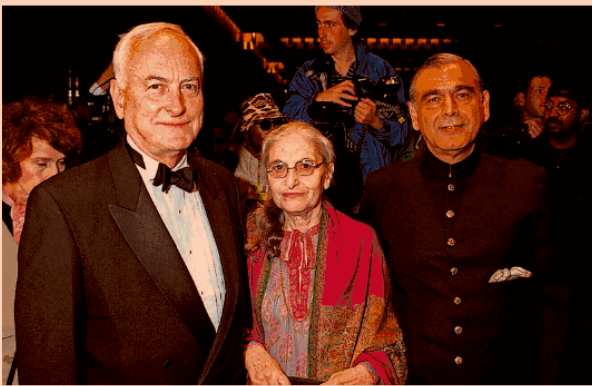
Clockwise, from above: from left, Charles Brackett, Gloria Swanson and Billy Wilder discuss a script; James Ivory, left, and Ismail Merchant with Ruth Prawer Jhabvala, who wrote many scripts for them; Gary Oldman, left, as Herman Mankiewicz in the upcoming film 'Mank'

being added by, respectively, star Humphrey Bogart and Hal Wallis, the producer of the film.

Billy Wilder might have been contemptuous of the auteur theory, cracking, "What does the director shoot, the telephone book?" But writing the script was too important to be left solely to writers. Wilder co-wrote his screenplays with scribes such as Charles Brackett and L.A.L. Diamond, often in cantankerous relationships. His collaboration with Raymond Chandler on *Double Indemnity* was infamously stormy and Diamond's wife claimed the quarrelling couples of their films, which included *The Apartment* and *Some Like It Hot*, were inspired by their own fractious process. Wilder once wrote about collaboration: "If there are two guys that think the same way, that have the same background, that have the same political convictions and all the rest, it's terrible. It's not collaboration. It's like pulling on one end of the rope."

Director-writer partnerships are common, but it is frequently the writer who gets left out of the mix. Leigh Brackett wrote several films for Howard Hawks and John Michael Hayes wrote four films for Alfred Hitchcock, but Hawks and Hitchcock were the prime examples Truffaut used when writing about the auteur and took all the lime-light. Even more shocking is the case of Ruth Prawer Jhabvala, who wrote 22 films for director James Ivory and producer Ismail Merchant, but it's Merchant Ivory that is celebrated, not Merchant Ivory Jhabvala.

This is not to say there are no famous



screenwriters. Paddy Chayefsky, writer of *Network* and winner of three Academy Awards, is revered in screenwriting circles. Likewise, William Goldman and Robert Towne were rival gods, dominating the 1970s with such beautifully written films as *Chinatown* and *All the President's Men*. But even the most successful screenwriters will have a side gig as novelists or uncredited script doctors.

The only way for them to ensure more visibility and work is to move into directing their own films, the path followed by the likes of *Taxi Driver* and *Raging Bull* scribe Paul Schrader, *Silkwood* and *When Harry Met Sally...* writer Nora Ephron and, more recently, Charlie Kaufman and Aaron Sorkin.

But the most famous screenwriters are those who cut out the middleman completely and go straight to directing. Woody Allen, Joel and Ethan Coen and

Quentin Tarantino are justly famous for their clever, witty scripts, which also sell well as published screenplays. Interestingly, however, David Fincher is not one of these, happy to direct others' scripts and never taking co-writing credits. As befits a movie hailing the screenwriter as an unsung hero, *Mank* gives sole screenwriting credit to the actual screenwriter, Fincher's late father, Jack Fincher.

In interviews, Fincher has been at pains to foreground his father's work. And yet despite the re-evaluation of Mankiewicz's creative contribution, and a wider reassessment of the role of screenwriters, the figure of the director — in many significant ways created by Orson Welles — remains paramount. After all, *Mank* is David Fincher's new film.

'Mank' is on Netflix from December 4



Orson Welles, left, and Herman Mankiewicz, co-writers of 'Citizen Kane'

Streams grow broader and deeper

CLASSICAL MUSIC

Boston Symphony Orchestra; City of Birmingham Symphony Orchestra
Streamed online
★★★★

Richard Fairman

Barely a month passes without an advance in how concerts are being presented online. A straight filming in the concert hall has quickly been sidelined, as managements realise that streaming offers the opportunity to attract a wider audience with supplementary material such as interviews and arty videos.

The promotional value of all this will not have gone unnoticed. As with last weekend's streamed concert from the San Francisco Symphony, the Boston Symphony Orchestra kicked off its online winter season by introducing itself with a broad-brush history of the orchestra, appealing to new viewers and potential sponsors alike.

For its opening concert, "American Promise", Boston looked to three moments in the development of American music. Ives's *The Unanswered Question* encapsulates American individualism and its evocation of a boundless universe of sound was enhanced by having the solo trumpet far off in the balcony of Symphony Hall. Dvorak's *New World* Symphony, showing how American folk tunes could work in a classical form, formed the popular centrepiece and received an invigorating performance under former BSO associate conductor Ken-David Masur, son of Kurt, conductor of Leipzig fame. The orchestral playing was high quality, as evident online as it would be live in the hall.

A documentary interlude gave a

thumbnail biography of Florence Price, one of the finest of the early 20th-century African-American composers who are at last getting their due, and this was followed by her String Quartet in G. Slight, though none the worse for that, it has grace and romantic warmth, allied to some searching harmonies, all rendered with expertise by the four Boston players. The concert is available as part of a charged subscription series until December 19.

The City of Birmingham Symphony Orchestra was unlucky that its centenary fell this year during the pandemic. Undeterred, it has already given one centenary concert online under former music director Simon Rattle, and here was another under his current successor, Mirga Grazinyte-Tyla, who had been on maternity leave the first time round. As in Boston, the presentation includes chat and interviews, and the Earl of Wessex, the CBSO's

patron, provides a centenary tribute.

The orchestra's inaugural concert was given on November 10 1920, when Elgar conducted a programme entirely of his own music (the Birmingham Gazette reported that this did not attract a "record audience"). The central work then was Elgar's Cello Concerto and that was revisited here, with soloist Sheku Kanneh-Mason at his most intimately thoughtful, playing that might not work in a large hall but came across affectingly here. On either side, Grazinyte-Tyla conducted two of Sibelius's tone poems, *Lemminkäinen's Return* and *The Swan of Tuonela*, with a lively, if not very trenchant, performance of the *Leonore No.3 Overture* by Beethoven, another anniversary figure of 2020, to close.

The CBSO concert is available to view in the UK on the orchestra's website until December 22.

[bso.org](https://www.bso.org); [cbso.co.uk](https://www.cbso.co.uk)



Cellist Sheku Kanneh-Mason, conductor Mirga Grazinyte-Tyla and the CBSO

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FT BIG READ. LESSONS FROM JAPAN

FT series Fearing prolonged stagnation, many developed economies are looking to Tokyo’s experience during the past three decades to see what approach they should take in the post-Covid era.
By Robin Harding and Chris Giles

How to live with low rates and inflation

Japan’s bankers celebrated the end of the 1980s with raucous parties and an all-time high of 38,957 on the Nikkei stock index. It had been a magnificent decade and they all looked forward to another one.

The economy had grown by an average of 4 per cent a year and seemed well set to continue on a similar path. By 1995, forecast Nomura Securities, the Nikkei index would hit 63,700. It was a golden era. Foreign officials, financiers and journalists rushed to Tokyo. Everyone wanted to learn the lessons of Japan. They still do. Thirty years on, Japan’s economy has not lost its fascination. But rather than the secrets to miraculous economic growth, today’s students of Japan want to know how to respond when the good times stop.

“What had been regarded as Japanese problems are now faced more or less by Europeans,” says Hiroshi Nakaso, the former deputy governor of the Bank of Japan. “I’m not saying I’m convinced Europe will follow Japan’s path but Japan’s experience certainly offers hints.”

Economically, those lessons include the importance of maintaining public confidence in central bank policy, and the need for a strategy to generate economic growth. More broadly, Japan’s experience offers a template for how a society can live with low interest rates. Large parts of the developed world are likely to emerge from the pandemic with economies in that same position.

‘I thought we’d go back to a regular business cycle. I didn’t expect this stagnation scenario to continue for a long time’

That prospect is unsettling to some because of the stagnation that Japan has seen over the past three decades. Since 1990, Japan has recorded average annual real growth of 0.8 per cent and inflation of 0.4 per cent. The Nikkei index never again came close to that December 1989 peak. Today it stands at 25,527. In dollars, per capita incomes in Japan are a third lower than in the US.

While the rest of the world enjoyed booming growth in the 1990s and 2000s, Japan’s problems seemed unique, and foreign economists lined up to propose radical solutions. But then their own economies began to show an eerie similarity. In the wake of the 2008-09 financial crisis, interest rates fell to zero in Europe and the US, and during the recovery inflation did not bounce back.

No longer an odd economic twilight zone, Japan is now the best case study of what happens in an environment of persistent low inflation and interest rates – a situation much of the developed world may face in the aftermath of the coronavirus crisis.

To extract any lessons, however, it is important to understand what actually happened in Japan over the past 30 years. Although the outcomes of low growth, low inflation and low interest rates look similar throughout the period, the economic forces at work changed a lot. There was no single process of “Japanification”.

Instead, there were three distinct but mutually reinforcing chapters: financial crisis in the 1990s; persistent, mild deflation in the 2000s; and then, in the 2010s, an attempt to fight back against Japan’s ageing demographics.

The lessons for the rest of the world are inevitably nuanced.

The 1990s – a banking crisis

In the early years of the 1990s it slowly dawned on people that the heady peak in stock and land markets had been a bubble – one backed by trillions of yen in bank loans, which speculators and property developers had no way to pay back. Rather than foreclose on bad loans, however, corporate Japan and its bankers pretended the assets were still solid and the debts were still good.

Minoru Masubuchi took over the Bank of Japan’s financial system department in 1994. “I think we knew quite early that it was an extremely severe problem – that was the understanding I had when I took the post,” he says. “However, for the world at large – especially in politics and the media – there wasn’t such a realisation.”

The technocrats wanted to recapitalise the banks with public money, but they could not persuade the politicians.



The inflation expectations of consumers have adjusted to the realities of lower growth in Japan. Below: a money dealer trading at the Tokyo Foreign Exchange in 1987 – FT montage

The banking crisis ground on until the “Dark November” of 1997. “[Hokkaido] Takushoku Bank and Yamaichi Securities went under and there was an atmosphere of confusion,” says Mr Masubuchi. “The worst time was that period from November until the end of 1997.”

Initial attempts to fix the banks made matters worse. At the start of 1997, the finance ministry said it would step in if capital ratios fell below a certain level, but that prompted banks to slash their lending to survive. “Many small and medium-sized firms failed,” says Hiroshi Yoshikawa, a member of the government’s economic council from 2001-06. “1997-98 was truly one of the worst years for postwar Japanese society.”

A widespread credit crunch hampered the economy. Scarred by the bubble, the BoJ was slow to cut interest

rates, and repeated rounds of fiscal stimulus had little effect. Inflation declined steadily and by 1999 it was below zero. But the underlying cause was not peculiar to Japan or even historically unusual – it was a banking crisis.

US policymakers learnt this lesson thoroughly. When the global financial crisis struck in 2008-09, they were quick to cut interest rates and force public capital on banks through the Troubled asset relief programme. “The bad loan problem and financial trouble was ended by 2003,” says Mr Yoshikawa. “If we had any trouble after 2003 we must have a different explanation.”

After a great struggle, Japan had resolved the banking crisis and everyone thought things would go back to normal. “I thought we’d go back to a regular business cycle. I didn’t expect this stagnation scenario to continue for a long time,” says Mr Masubuchi.

tion expectations is important. In Japan, under the prolonged period of deflation, inflation expectations came to be anchored around zero,” says Mr Nakaso.

One of the primary lessons of Japan’s experience is the need for aggressive action to pre-empt any fall in inflation expectations – and the limited power of monetary policy if that is not achieved.

But the lesson about expectations has hit home in central banks across developed economies. Jay Powell, US Federal Reserve chairman, has pledged to raise inflation to moderately exceed its 2 per cent target “for some time”, expressing “determination” to succeed in ensuring inflation expectations do not fall to zero in the wake of the pandemic.

The European Central Bank and Bank of England have both recently revised their guidance to commit to keeping monetary policy as loose or looser than it is now until inflation rises back to target and shows no signs of falling again.

The 2010s – fighting demographics

As the period of low inflation dragged on, however, and other advanced countries adopted zero interest rates after 2008, economists began to consider deeper causes. Towards the end of the decade, the then BoJ governor began to argue that the root cause of Japan’s low inflation was weak economic growth, linked to the country’s demographics.

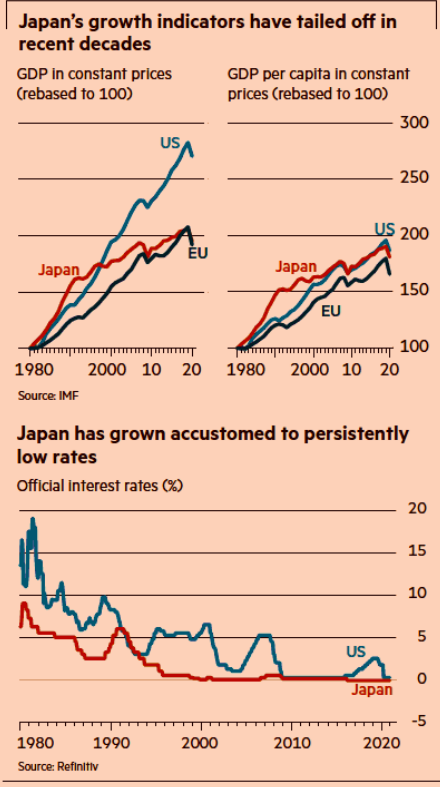
“Nowadays everybody says the Japanese economy has poor future prospects because of population decline. But that kind of view is actually quite new,” says Mr Yoshikawa. During the 2000s, when companies were cutting jobs, he says, the debate was about Japan’s surplus of workers, not a shortage.

25,527
Nikkei index on Monday – at the end of the 1980s it stood at 38,957

0.8%
Japan’s average annual real growth since 1990 – for inflation the figure is 0.4%

FT

FT series
The lessons Japan can offer other developed economies struggling to recover from the pandemic
ft.com/japanlessons



Japan’s fertility rate has been low since the 1970s and the working age population peaked in the 1990s. With ageing workers wanting to save, and little motivation for businesses to invest in a declining economy, the result is a low natural interest rate. The US economist Lawrence Summers crystallised this line of thinking in 2014 when he revived the concept of “secular stagnation”.

If demographics are the root of Japan’s problems, then there is a mixed message for the rest of the world. Fertility rates are higher in Europe and the US and they both have meaningful immigration. Although their populations are ageing, that suggests they have a better chance of escaping persistent zero inflation and interest rates. But other east Asian economies, including China, are following Japan’s demographic track.

Many economists think the theory of demographic destiny is oversold, however, and either does not explain the trend towards zero inflation and interest rates or is framed incorrectly.

‘What had been regarded as Japanese problems are now faced more or less by Europeans. Japan’s experience offers hints’

Mr Yoshikawa is not a fan of the thesis. “A declining population is of course a negative factor for growth. But at least historically, the importance of innovation dominates it by far,” he says.

For Charles Goodhart, former BoE chief economist, an ageing population holds the promise of escape from the Japanese trap, since the elderly spend more than they earn in the labour market, diminishing the excess savings that brought the world zero interest rates and problematic low inflation.

If this is correct, however, it is yet to manifest itself in Japan. Rather than wait for an improvement, the last decade brought a determined effort to shake the nation out of its stagnation: the stimulus known as Abenomics.

The performance of the economy under Shinzo Abe’s premiership improved significantly and public debt stabilised for the first time in years, but the fundamentals of interest rates and inflation were ultimately little changed. Inflation remained low and interest rates were still pinned to the floor, providing little scope to act as a cushion when downturns such as Covid-19 hit.

Adjusting expectations

Thirty years on from the bursting of the bubble, a common reaction to Japan’s predicament is to ask whether there is really a problem at all. The country is stable and prosperous. Per capita growth in output has not been too bad. For many, especially the elderly, low inflation is a good thing, and a large public debt is less daunting when it carries an interest rate of zero.

Such optimism, however, belies difficult problems of economic management. For much of the past three decades, Japan’s economy has operated below full capacity, ruining the life chances of millions of people who graduated into a weak labour market. The country’s only option when a crisis such as Covid-19 strikes is to run up ever more public debt.

What are the lessons from Japan’s experience? One is that the route to zero interest rates and zero inflation does not matter. The crucial requirement is to find a way to stop a temporary plunge to zero interest rates from becoming a self-fulfilling prophecy. So far, the US and UK have avoided falling into the trap of zero inflation expectations, but the ECB is perilously close.

All advanced countries have ageing populations – which may bring caution in spending – while technological progress is a global and not a national phenomenon. Most important is the need to look past the specifics of Japan’s experience and recognise that whatever the difficulties, countries must not give up on the quest for growth, and do whatever is necessary to raise it to levels that keep employment high, wages rising and inflation from sinking to zero.

“There were two things that we recognised over time. One is how important financial stability is and the second is the importance of a growth strategy,” says Mr Nakaso. “Policies to address both the demand and the supply side of the economy are important. Raising Japan’s potential growth rate remains essential.”



FINANCIAL TIMES

‘Without fear and without favour’

TUESDAY 24 NOVEMBER 2020

Bearing the burden of coronavirus debt

Wealthier countries can manage without rapid fiscal retrenchment

In 2010, as the global economy was beginning to recover from the financial crisis that had taken place just two years before, the UK placed itself in the vanguard of a shift towards austerity. The decade of weak growth and political instability that followed mean that few are keen to repeat the exercise after the coronavirus pandemic. Chancellor Rishi Sunak, who presents the government’s latest spending review tomorrow, indicated at the weekend that he agrees with his prime minister, Boris Johnson, that there should be no return to the era of spending cuts.

Britain is not alone in this dilemma. To survive the coronavirus pandemic, which has shut down vast tracts of societies and transformed the parts that remain open, the world has taken on more debt than ever before. The Institute of International Finance, a trade group for the finance industry, estimates that during the first nine months of 2020 the world has, in total, increased the amount of borrowing from 320 per cent of global income to 365 per cent, a new record.

For governments in rich countries there is no need to rush towards fiscal retrenchment. The sustainability of national debt depends not on the amount but on its cost. With long-term interest rates at record low levels across the developed world, governments can borrow for decades, cheaply. Britain’s 30-year bonds yield just 0.9 per cent, making the one-off cost of the pandemic easily manageable for the next few decades. There has scarcely been a better time to run such large deficits.

This borrowing has been sensible; debt is a tool precisely for managing such situations. Being able to transfer and delay payments until the world economy is in a better state will make the pandemic more manageable and the economic scars less deep. Failing

to take on more debt would mean mass bankruptcies and unemployment. Without effective support, workers would be less able to heed messages to “stay at home”, spreading the virus and causing more economic damage.

Not everyone, however, has the same luxury as advanced economies to borrow cheaply and repay over decades. Many poorer countries have relied on much higher-cost and shorter-maturity debt. The dangers are clear: so far Argentina, Belize, Lebanon, Ecuador, Suriname and Zambia have all failed to repay their debts or had to restructure them during the pandemic.

Much of the debt that poorer countries have used to cope with coronavirus will end up on the balance sheets of the governments of rich countries. The G20 group, which met at the weekend, failed to agree to a new common framework for relieving the debts of poor countries but did continue to offer measures to delay scheduled repayments. Eventually — perhaps after the inauguration of US president-elect Joe Biden — relief efforts will need to go beyond immediate cashflow problems and tackle long-term debt sustainability.

Once the pandemic is finally under control, governments of advanced economies will need to lower their own deficits to a more sustainable level — at least partly because ageing societies will increase the cost of pension and healthcare provision. The discovery of seemingly viable vaccines means they can be confident in being generous now — there will be an end to the pandemic and it is not an open-ended commitment. It is sensible for governments to plan now how they should bring deficits down in the future.

But implementing those plans too rapidly would endanger the global recovery — and could worsen the long-term economic damage.

West has emboldened Egypt’s repressive regime

Sisi government is broadening its crackdown on civil society

After a seven-year campaign to crush any form of critical debate, the Egyptian regime has once again stepped up its ruthless offensive against civil society. Over five days, security forces arrested three senior members of the Egyptian Initiative for Personal Rights, the country’s most prominent human rights organisation. Their apparent crime was to host a meeting of 13 western diplomats, including the ambassadors of Germany and France and the number two from the British embassy, to discuss human rights.

In other words, they were doing their jobs. All three, including Gasser Abdel-Razek, EIPR’s executive director, have been accused of terrorism-related crimes and spreading false news. If this were not so tragic, it would be laughable; Mr Abdel-Razek is a secular, highly respected human rights campaigner.

Yet this has been the regime’s modus operandi since Abdel Fattah al-Sisi, a former military chief, seized power in a 2013 coup that ousted Mohamed Morsi, the Muslim Brotherhood leader who was the country’s first democratically elected president.

Tens of thousands of people accused of having connections to the Islamist movement, which Mr Sisi declared a terrorist organisation, languish in jails. But the crackdown spread far deeper, with scores of secular activists, academics, bloggers, journalists and businessmen imprisoned. They are often charged with terrorism-related crimes and spend two years or more in pre-trial detention.

At the hint of protest, whether against the regime or over economic grievances, hundreds are rounded up. The press is muzzled. Entities linked to security agencies have taken over independent broadcasters. There is not even a facade of democracy.

Yet rarely has there been more than a murmur of protest from western

states. Rather, Mr Sisi is courted by all the major powers. President Donald Trump described him as his “favourite dictator” and Egypt receives about \$1.3bn in annual US military support.

France, which also sells arms to Egypt, views Sisi as an ally in the campaign against Islamist extremism, and in Libya where Paris and Cairo have supported Khalifa Haftar, a warlord who sparked a civil war last year. The EU is Egypt’s biggest trade partner.

In a call with Mr Sisi in September, Boris Johnson, UK prime minister, welcomed a “strong partnership” with Egypt and spoke of reaching a swift free trade agreement. That was two months after Britain launched a post-Brexit sanctions regime, which it hailed as “an example of how the UK will act as a force for good . . . standing up for human rights”.

Western governments say Egypt, a country of 100m people on the Mediterranean, bordering Israel and sub-Saharan Africa, is an important partner whose stability is vital. But their silence has emboldened one of the region’s most oppressive regimes. It does nothing to help Egypt become a more prosperous, stable nation. The more repressive Mr Sisi becomes, the greater the potential problems he is storing up for the future.

Last month, on the second anniversary of the murder of Saudi journalist Jamal Khashoggi, Joe Biden pledged that “America’s commitment to democratic values and human rights will be a priority, even with our closest security partners”. If the president-elect is true to his word, this is one area where Mr Biden could quickly reverse some of the damage done to America’s global standing under the Trump administration. Egypt will be a test of his commitment. It is time the US and its European partners used their leverage with Cairo to take a stand against the abuses.

Letters

Uganda shows need to align aid with principles

Your coverage of the police brutality on the streets of Kampala (“Uganda security forces shoot supporters of Bobi Wine”, FT.com, November 19) is welcome and much needed, but it fails to mention the complicity of western governments, including the UK.

Uganda receives approximately \$2bn of development assistance annually, with the UK expected to provide £130m this year. The US provides the largest contribution, with total budgetary assistance at \$970m a year.

Aid has been shown to contribute to the enrichment of the politically connected elite and increase military spending in aid-dependent countries,

both of which have been cornerstones of President Yoweri Museveni’s slide towards dictatorship during his 34-year reign and his obstinate grip on power in the face of democratic opposition.

Previous bouts of violence, corruption and abuse of power by the Museveni government have met with little or no resistance from the international community and the money has continued to flow.

In response to the deaths of more than 30 protesters and bystanders last Wednesday, the US embassy urged “all parties to renounce violence” in the sort of spineless false equivalence

reminiscent of Donald Trump on far-right violence in Charlottesville or Aung San Suu Kyi on the massacre of the Rohingya.

The merging of the Department for International Development and the Foreign & Commonwealth Office this year was an implicit recognition that aid is political. Uganda is living proof of this and now presents a test for the newly formed Foreign, Commonwealth and Development Office.

Are we ready to align payments with principles and call time on supporting Mr Museveni and other autocrats?

Alfie Pearce-Higgins
Kampala, Uganda

Tackle Ethiopia’s ethnic feudalism with education

Your recent article by David Pilling and Andres Schipani captured the tragedy of the latest war in Ethiopia and the underlying 1995 constitution. An Amhara father facing his own son in Tigray, who became a soldier of the Tigray People’s Liberation Front (the Big Read, November 19).

Just like them, I am also multi-ethnic Ethiopian, with Oromo and Wolayta ancestry. Such is the story of millions of us “ethnic-Ethiopians” who are of multi-ethnic descent but have been forced to choose one tribal box and fight our own “other,” as if they are alien. Even the most prominent ethnic nationalist, Jawar Mohammed, is a half-Amhara leading an Oromo nationalist movement.

So Ethiopia’s root problem remains ethnic-federalism in the constitution. It is a unitary oppressive system created by TPLF to deny civil liberties for individuals and disenfranchise ethnic minorities living inside each victor ethnic state.

This is why, while some fled the violence, many people in southern Tigray were celebrating last week after the federal army liberated towns from TPLF.

Ethnic-federalism is a system that empowered tribal elites and fed more tribalism to a nation hungry for democracy. We literally have tribes, in the 21st century, still fighting over ownership of towns, which they could have easily shared and developed together. This is why ethnic cleansing will continue in Ethiopia, as elites use them to facilitate the grounds for the justification of ethnic segregation.

While Prime Minister Abiy Ahmed’s government is currently responding to the rogue entity in Tigray, make no mistake that Ethiopia has more problems than the TPLF.

Mr Abiy’s party has not taken bold measures to amend ethnic-federalism, because of fears of a backlash from Oromo nationalists.

A recent survey by Afrobarometer suggests that about 50 per cent of Ethiopians still support ethnic-federalism. This means the country needs a mass education campaign and a compromise framework that transitions Ethiopia away from ethnic politics, while still embracing our multilingual and multicultural heritage.

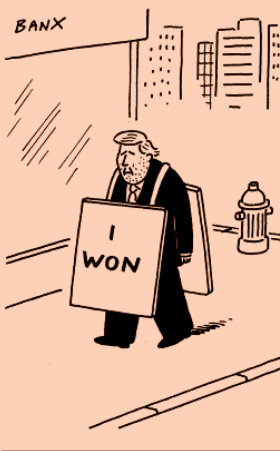
Perhaps, post-TPLF, Ethiopians will finally have the freedom to vote for a better form of government.

Teshome M Borago
New York, NY, US

Thanksgiving in a pandemic means new traditions

Midwest Notebook

by Patti Waldmeir



Capital markets’ shrug greets Mnuchin’s move

Since Steven Mnuchin, the US Treasury secretary, decided to end certain of the Fed’s so-called 13(3) lending facilities (November 21), debate has been raging whether such a move was wise given pronounced economic uncertainty. Interestingly capital markets essentially shrugged.

Compared with previous attempts to rein in central bank support, where market volatility proved a formidable foe, placid prices are particularly noteworthy.

There is nothing to say stable conditions will persist but Mr Mnuchin, an experienced capital markets practitioner, passed the first test. Sometimes a shrug is the best you can hope for.

Gray Schweitzer
New York, NY, US

Why states seek ties with former colonial overlords

There are any number of ways to rebut the attack on “the white race” [sic] by your correspondent from New York (Letters, November 21). But here are just two: if people who had been ruled by Britain and France had really been so viciously treated over “500 years”, why did they freely embark on a close association in the form of the Commonwealth and *La Francophonie* following independence?

There is much to condemn about imperialism wherever it occurs, but sometimes there is enough to celebrate for new and positive relationships to be created, as in these cases.

John Webster
London SW1, UK

Realpolitik cries out for a multipolar world

Regarding your article “PM pledges £16bn armed forces boost” (Report, November 19), I would add that before boosting military spending, Britain needs to mentally unshackle itself from the so-called special relationship.

The problem with America is less Donald Trump and more its transformation since the end of the cold war into a rogue state. America uniquely and terrifyingly combines being armed to the teeth with a belief that it is ordained to impose its values on the world. It is characterised by an insatiable and bellicose urge to exercise extraterritorial jurisdiction.

International law as practised by the west is to cede to America the role of “globocop” as well as judge and jury. Worse still America is allowed to make up law as it goes along.

It’s as if Lord Acton’s dictum — absolute power corrupts absolutely — only applies to lesser entities such as China and Russia. Realpolitik cries out for a multipolar world with its checks and balances.

This is not based on moral equivalence. It’s an acknowledgment of the need to temper well intentioned, but all too often dangerous temptations inherent in the human condition.

Yugo Kovach
Winterborne Houghton, Dorset, UK

An explainer on why PM backed home secretary

You are right that the prime minister’s forward to the ministerial code, in which he rejects bullying, should be put into practice (Report, November 21). However, in the case of Priti Patel, the home secretary, who was bullying whom? Was it the minister or the civil servants around her?

I say this having myself spent two years on secondment from a middle management position in a US multinational to a Whitehall department. The cold shoulder I received was brutal. It was bullying of the most cruel kind sung to a collective chorus of “that’s not how things get done around here”.

I am firmly on the side of the home secretary and I suspect that this perspective lies behind the judgment that the prime minister has made. We need strong leaders such as Ms Patel leading our toughest great offices of state.

Richard Staveley
Warnford, Hampshire, UK

Britain’s green plan comes not a moment too soon

For those of us who have been calling for a comprehensive green strategy for more than 30 years, Boris Johnson’s 10-point plan is a good step in the right direction (Opinion, November 18).

The announcement has come not a moment too soon. Last month scientists reported methane releases from the East Siberian Continental Shelf, an event that many observers regard as the starting point for irreversible climate change.

The most welcome part of the initiative is the new phase-out date of 2030 for new petrol and diesel vehicles, as this will catalyse the installation of charging points, and revolutionise production lines. However, there are other elements that create a more confused picture. The Green Homes Grant Initiative promises £2bn for domestic insulation and heat pumps. But the works have to be completed by March 31 next year, with a severe shortage of engineers and fitters.

There is no way that the money will be spent in the time available, so the deadline needs to be extended, or better still left open-ended. Mr Johnson focuses on trees, carbon offsets and carbon capture, but he needs to be careful advocating these approaches. Planting trees is nowhere near as important as not cutting them down in the first place. Furthermore trees only store carbon while growing, so it is, at best, only a temporary measure. As for carbon offsets, this is a way of allowing fossil-fuel dependent industries, such as airlines, to claim carbon neutrality without actually reducing their own emissions. As for carbon capture, this will double the price of electricity from a gas-fired plant. Research should be directed at energy storage to iron out the fluctuations in supply from renewable sources.

Finally there is no mention of the local electricity bill, designed to facilitate the supply of renewable electricity direct to local communities.

A private members bill proposed by Conservative MP Peter Aldous has already attracted 210 signatures. The government should stop prevaricating and adopt the provisions in this crucial item of legislation.

Robin Russell-Jones
Chair, Help Rescue the Planet Scientific Adviser, All Party Parliamentary Group on Air Pollution Marlow, Buckinghamshire, UK

If that was Trump’s big flaw, what is his biggest?

I was intrigued to see that Christopher Caldwell thought that Donald Trump’s big flaw was his terrible hiring (Opinion, FT Weekend, November 21) I look forward to discovering in subsequent articles what Mr Trump’s bigger and then biggest flaws are.

Devra Wiseman
Leatherhead, Surrey, UK

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Gavyn Davies
Democracies that failed the Covid test will struggle on climate change, as efforts to address both issues are hampered by externalities and behavioural biases
www.ft.com/opinion

that materials are in short supply and prices are high: the cost of cedar for decking has tripled, he says.

Nielsen, the market research firm, says the Thanksgiving menu has also been affected: sales of smaller, eight-pound birds are so far up 44 per cent on last year, as seven in 10 Americans say they will keep dinner to fewer than six people. Many may be cooking at home for the first time, so Chicago area resident Jobi Cates is planning a “Thanksgiving for dummies” video session to teach first-time cooks the basics. “People are really attached to the comfort of a certain smell and a certain taste on Thanksgiving and I’m afraid they’ll be sad if they can’t have that,” he says.

But there are silver linings, too. Jenny LeFlore, a mother from Chicago, says she is, frankly, relieved not to be spending Thanksgiving the “normal” way, which for her meant “three different stops and spending hours in the car”.

And Ms Wrobel predicts good things could come of the changes forced upon us. She plans to offer her new pandemic patio to single friends who want to date without getting too close. “Sometimes you do things for one reason and a world of possibility opens up because of it,” she says.

Maybe that’s the lesson of this Thanksgiving: new traditions born in grief that we can nurture in gratitude. I may be basting turkeys with soy sauce for a long time to come.

patti.waldmeir@ft.com

Opinion

The shift to remote work carries an inherent risk

EMPLOYMENT

Sarah O'Connor



This year's mass experiment with remote working has, for some, triggered a prickling sense of unease: if I can do my job from home in London, Brooklyn or Canberra, could someone else do it more cheaply from Sofia, Mumbai or Manila? In the corporate world, we might have enjoyed skipping commutes and ditching office wear, but will we feel as smug in a few years if we have joined factory workers in the ranks of the "left behind"?

It is not a new fear. In 2007, Alan Blinder, an economist at Princeton University, estimated that "stunning advances in computerised telecommunications technology" meant that between 22 and 29 per cent of US jobs were already offshorable, or would be

within a decade or two. Many lower skilled service-sector jobs did indeed move to cheaper countries such as India, from call centres to IT and back-office support. But most office jobs stuck around. A follow-up study last year found that, of 26 occupations deemed potentially offshorable in 2007, 11 shrank in the US while 15 grew.

Yet Richard Baldwin, an economist at the Graduate Institute of International and Development Studies in Geneva, believes this time will be different. Covid-19 has forced employers to embrace the technology required to run dispersed workforces. "We spent five years trying to get people to adopt Microsoft Teams, and we had 60-fold adoption in a week," Mark Read, chief executive of advertising company WPP, told a (virtual) Financial Times event this month.

The crisis also caused redundancies, especially where governments didn't subsidise wages to keep people in jobs. Once the employment connection is broken, Prof Baldwin argues, it's easier for companies to re-hire in a different country, especially given that many will be keen to cut costs.

That doesn't mean all the jobs currently being done remotely in the rich world can move offshore. Shared language, culture and time zones will continue to matter. In addition, many employees working remotely this year have relied on accrued social capital with colleagues and clients that will eventually need to be refreshed with face-to-face contact. These jobs are

If I can do my job from home, could someone do it more cheaply from somewhere else?

more likely to become "hybrid" after Covid-19, with a mixture of office and remote days. They may move out of cities, but not countries.

The pandemic also highlighted the risks associated with offshoring: when some call centre offices had to be shut down in India and the Philippines, staff didn't have the laptops, internet access or security clearance to work from

home. Telstra, an Australian telecoms company, was badly hit by shutdowns in the Philippines and decided to hire 3,500 temporary staff in Australia.

For this reason, the "new" offshoring is more likely to be via platforms such as Upwork and Fiverr, which connect employers with freelancers for task-based work and take a cut of the pay. Engaging freelancers is more flexible and avoids the risk of an outsourced office being closed. Upwork and Fiverr reported 24 and 88 per cent year-on-year revenue growth in the third quarter respectively and their share prices have risen sharply this year.

White-collar platform work ranges from simple jobs, such as a piece of copywriting, to complex project work. The competition is borderless. A search on Fiverr found someone in Sri Lanka who would write a blog post in 24 hours for \$5 (he has more than 1,000 reviews with an average score of 4.9 out of 5), someone from India who would charge \$15 and someone from the US who would charge \$10.

The platforms open up opportunities to those with in-demand skills who want

the freedom to freelance – especially valuable for talented people in poorer countries. But for those with more generic skills, there is the risk of commoditisation, compressed pay and no employment protections, in the developed and developing world alike. A 2017 International Labour Organization study of 3,500 workers from 75 countries on five microtask platforms found average hourly earnings ranged between \$2 and \$6.50 per hour, with a high proportion of workers earning below the prevailing minimum wage.

Office jobs aren't going to disappear, but the past year might persuade companies to shrink their "core" of permanent staff and expand their periphery of on-demand workers based anywhere. This confluence of globalisation and casualisation could have big consequences, especially for younger and lower-skilled white-collar workers. Unlike the decline of manufacturing, it will happen quietly inside homes rather than on the factory floor. But it will be no less painful for that.

sarah.oconnor@ft.com

Financial policymakers are right to fight the last war

MARKETS

Megan Greene



Policymakers are often accused of preparing to fight the last war. But now, for once, perhaps that's exactly right. The aftershocks left by the 2008 financial crisis have only been exacerbated by coronavirus. Central bankers and finance ministers are still faced with a triple threat of secular stagnation, liquidity trap and a growth model centred on leverage.

Former US Federal Reserve chair Janet Yellen and former Treasury secretary Lawrence Summers recently argued that a savings glut still plagues the developed world. There has been a greater propensity for developed economies to save rather than invest for at least a generation, driven partly by factors that will be accelerated by Covid-19: greater income and wealth inequality, more uncertainty about pensions, higher market concentration and intangible capital. The result, over the past decade, has been downward pressure on aggregate demand, which drags on growth, inflation and real interest rates – known as secular stagnation.

Stubbornly low interest rates have failed to generate significant aggregate demand. That suggests the world has been stuck in a prolonged liquidity trap – where companies and consumers hold cash rather than spend. Most major central banks kept rates at or near zero after the financial crisis. The European Central Bank and Bank of Japan still

Coronavirus has exacerbated the aftershocks of the 2008 crisis

have negative policy rates. After the Fed began a series of rate increases, markets rebelled in December 2018, forcing it to retreat. When coronavirus spread beyond China in the spring, Bank of America tallied 164 rate cuts globally in 147 days. While central banks may have averted a major depression, IMF chief economist Gita Gopinath highlights that the global liquidity trap persists.

It may be that aggregate demand will come roaring back once a vaccine is widely distributed. There will undoubtedly be a release of some pent-up demand but it's unlikely to be sustained. There will be some degree of scarring after the lockdowns of 2020, just as there was after the financial crisis. And why should aggregate demand rebound significantly when it was weak before the virus hit?

Economic growth is likely to be predicated on debt. Central bank liquidity has supported the credit markets as rates have been slashed and corporate bond-buying programmes announced. Corporate America has gone on a borrowing binge. Leverage for investment grade companies (total debt-to-earnings before interest, tax, depreciation and amortisation) rose to 3.53 in the second quarter, according to the Bloomberg Barclays US Corporate High Grade Index, the highest since 1998. It stood at 5.42 for high-yield companies: a record. US household debt hit \$14.35tn in the third quarter, the highest ever.

And government debt has surged globally as nations borrow to pay for stimulus measures to fill in the holes created by lockdowns. With interest rates low, leverage is less of a problem. But if growth picks up, rates will probably rise, threatening a wave of defaults.

So, policymakers are right to focus on the "last war", since they will still be fighting it after the dust settles. But any economist will tell you one remedy could address all three battles: fiscal policy. While fiscal stimulus measures helped boost China, Europe and the US out of the last recession, economists now say the fiscal boost was too small, leading to the weakest recovery ever.

Large packages, promoted by US president-elect Joe Biden and even – against tradition – by German Chancellor Angela Merkel, could raise public investment, generate aggregate demand and increase the neutral rate of interest. That would replace leverage as a driver of growth. The biggest lesson of all should be not to skimp on spending, the worst mistake of the last war.

The writer is a senior fellow at Harvard Kennedy School

Corruption is rotting the EU's fringes

GLOBAL AFFAIRS

Gideon Rachman



The US and EU are both battling to protect democracy and the rule of law. The American struggle is more dramatic because the US president himself is leading the effort to subvert the political system. In Europe, by contrast, the threat comes largely from the fringes.

Hungary and Poland are in the spotlight as their governments resist efforts to link EU funding to respect for the rule of law. But focusing exclusively on the Hungarians and Poles underplays the scope of Europe's problem. In several other EU countries, recent corruption scandals and rule of law controversies have raised serious questions about the health of their democratic systems. They include Bulgaria, Romania, Slovakia, Slovenia, Croatia, Malta and Cyprus. Collectively, the troubled democracies account for between one-quarter and one-third of the 27 governments seated around the EU conference table.

The Hungarian and Polish cases get the most attention partly because there is an ideological element to the dispute. Viktor Orban, Hungary's leader, delights in giving lectures about "illiberal democracy". The Poles and the

Hungarians have also passed laws that undermine judicial independence.

Graft and corruption elsewhere in the EU tend to take place the old-fashioned way – under cover and without accompanying speeches attacking liberalism. These scandals attract less attention overseas. But they have provoked mass demonstrations and political instability in many of the countries concerned.

Since July, thousands have taken to the streets in Bulgaria to demonstrate against the government of Prime Minister Boyko Borisov. The crowds are inflamed by stories about politicians and officials buying apartments at way below market rates – as well as by a photo of Mr Borisov, next to an open drawer full of €500 notes and gold ingots. The prime minister says the images are fake. But even Bulgaria's president, Rumen Radev, has accused him of running a "mafia government".

In recent years mass protests have also shaken Romania, where anti-graft prosecutors have battled with government ministers. Liviu Dragnea, once the ringmaster of Romanian politics, was sent to prison in May 2019 for three and a half years on corruption charges. Ivo Sanader, Croatia's longest-serving prime minister since independence, was sentenced on November 13 to eight years for corruption.

Elsewhere in the EU, corruption scandals have been mixed up with murder. Jan Kuciak, a journalist, and his fiancée, Martina Kusnirova, were murdered in Slovakia in 2018. Kuciak had been investigating links between the Italian



mafia and officials close to Robert Fico, the prime minister – who was forced to resign after protests that followed Kuciak's death.

In Malta, Daphne Caruana Galizia, a prominent investigative journalist, was murdered in 2017 after writing about alleged money laundering by powerful officials, as well as the business dealings of the prime minister's wife. The investigations and public demonstrations that followed her death eventually led to the resignation of the prime minister, Joseph Muscat, and to the arrest of his chief of staff, Keith Schembri.

Mr Schembri is out on bail and has not been charged in a police inquiry into the sale of Maltese passports to non-EU nationals. The sale of passports by Cyprus has also become controversial –

Badly governed states with graft issues are well represented around the European table

with the government accused of issuing passports to foreign criminals and the relatives of despots like Syria's Bashar al-Assad and Cambodia's Hun Sen.

Some may argue corruption and violence in small countries such as Malta or Cyprus are relatively insignificant in an EU of 440m people. But in France, former president Nicolas Sarkozy is on trial for corruption and influence-peddling. Transparency International's corruption perception index suggests that Italy's graft problem may be worse than that of Malta or Cyprus.

Corruption in any country, however small, affects the EU as a whole. Every country has a veto over some crucial policies, such as the EU budget. Each country also gets a turn at chairing the EU and shaping its agenda. A passport from any EU country confers the right to live and work anywhere in the EU27.

The EU's powers to investigate corruption and enforce the law in its member states are limited. The recently established European Public Prosecutor's Office can only take on cases involving abuse of EU funds or actions by its staff. Participation in the EPPO is

voluntary. Hungary and Poland have opted out.

Euro-sceptics will seize upon these flaws to argue that the EU itself is rotten. Mr Borisov has certainly received more protection from fellow EU politicians than he deserves. But if the EU were dissolved, corruption problems in countries such as Bulgaria would probably get worse.

When it acts, the EU is a force for good. After Laura Codruta Kovesi, an anti-corruption prosecutor in Romania, was sacked, the EU institutions supported her. Ms Kovesi was later appointed to head the EU's public prosecutors' office – demonstrating that the political culture of Brussels is still set by governments that take the rule of law seriously.

Even so, badly-governed states with corruption problems are well-represented around the EU table. European leaders pose together at summits for what is called the "family photo". There are quite a few crooked uncles and dodgy cousins smiling for the camera.

gideon.rachman@ft.com

Japan has lessons for dealing with common problems

Adam Posen

Japan really had only one lost decade. There are widely applicable lessons to be learnt from the country's economic evolution since its bubble burst in 1992. But the lessons from recent years are those of economic policies to emulate, as opposed to the lessons from before 2003 of which to avoid.

Japanification should be used as shorthand for failure to respond adequately to financial fragility, and being too timid with macroeconomic stimulus. The term certainly fits the Japan of the 1990s, and for that matter, the eurozone of 2010s. As early as 2003, I feared the eurozone would fall into this kind of policy inaction, as to some degree it did. But the current common problems of high-income countries, aptly characterised by Lawrence Summers as secular stagnation, are just that: common

problems, not a catching of some Japanese syndrome and not the result of easily rectifiable policy errors.

When policy turned around, so did the Japanese economy. The result is that between 1990 and 2002, Japan had the lowest average per capita gross domestic product growth rate in the G7, and from 2003 through 2019, it has had the third highest, and the second highest productivity growth rate.

The relevant lessons for the rest of the world come from after 2012.

Notably, three aspects of what are often asserted to be part of Japanification did not constrain the economic turnaround. Changing the value of the yen against the dollar played next to no role. Productivity growth has accelerated, while the real effective exchange rate has been stable since early 2013.

The accelerating shrinking of the working-age population also did not prevent sustained recovery. This is partly due to the success of former prime minister Shinzo Abe's Womenomics policies, which raised female labour force participation from 48.3 per cent in 2012 to 52.8 per cent pre-Covid-19. As Olivier

Blanchard and Takeshi Tashiro have argued, that shows that supply-side enhancing fiscal stimulus is attainable.

Corporate zombification, now a widespread concern also in Europe and the US, proved no barrier to sustained growth improvement either. Mr Abe's corporate reforms have not been as deep or as impactful as those of Womenomics. Yet, the rate of gross fixed

The accelerating decline of the working age population did not prevent sustained recovery

capital formation has come up to a solid third place in the G7 after working off the corporate debt overhang from the 1990s and, again, productivity has risen. This all comes without an obvious asset price bubble in equities or other assets, which those most concerned about zombies incorrectly assert must be the result of monetary ease. Not in Japan.

One ongoing syndrome from the lost

decade is on the monetary side. Japan continues to have the lowest rate of inflation in the G7, despite the Bank of Japan's aggressive expansionary efforts since 2013. The primary factor seems to be the persistent downward pressure on inflation expectations and on wage demands from the BoJ's lagging response through 2012. In that way the eurozone has been Japan-like, while the US, Canada and UK have not been. The direct costs of deflation in Japan have proven to be smaller than widely expected – but deflationary pressures have also proven stickier than we expected, contributing to monetary policy's inability to fight deflation by keeping the economy at the effective lower bound on interest rates.

Japan, however, does herald good news for us all on the fiscal front. A high-income market democracy can respond to secular stagnation with sustained fiscal stimulus, and that can continue to stimulate private demand. Substantial public debt can accumulate to levels previously thought dangerous and the warning sign of fiscal danger to watch is when private investment bids up

interest rates, not before. Some public investment can indeed be supply and productivity enhancing; attention should be on assessing the quality, not the spectre of private capital misallocation.

The lasting impact of coronavirus on the trend rate of growth may seem unclear or variable. It seems likely, however, that it will deepen secular stagnation across the high-income economies by further reducing risk appetite and inflation expectations. But Covid-19 may have killed Japanification by breaking the taboos on sustained public spending and monetary-fiscal co-ordination.

Japan may in the end come out back on top in its economic peer group for the next decade, having done a better job on public health management than the EU or US, and having seen the smallest decline in its productivity growth rate since 2003. Maybe we all should be so lucky as to be turning Japanese?

The writer is president of the Peterson Institute for International Economics and the author of 'Restoring Japan's Economic Growth'

Lex.

Twitter: @FTLex

Coronavirus/vaccines: safety in numbers

Vaccines against Covid-19 have been developed at record speed. Now the challenge is to produce enough to rescue the global economy. The cheap and easy-to-distribute vaccine made by AstraZeneca and Oxford university should make a big contribution.

This vaccine's trial results released yesterday were, at first sight, underwhelming. The average efficacy of 70 per cent was significantly less than achieved by the BioNTech/Pfizer and Moderna vaccines. But there was an unexpected upside. The best results – 90 per cent efficacy – were achieved for participants who received only half of the first of two doses. If the regime gets the go-ahead, more people can be given a shot with the same amount of vaccine.

AstraZeneca has made production deals with Russian drugmaker R-Pharm, Fiocruz of Brazil and the Serum Institute of India. Together they will make up to 3bn doses next year, on top of 1.3bn doses expected to be made by Pfizer and 1bn by Moderna. As two doses per person are needed, those jabs would be enough to vaccinate 2.65bn people, or 34 per cent of the world's population. In addition, J&J, Novavax and Sanofi each expect to produce 1bn doses next year if their vaccines are approved.

There will be supply shortages at first. The first countries in line to benefit will have pre-ordered the successful vaccines. The US, UK, Japan, and Canada – and possibly the EU and Australia – should have enough supplies to immunise their vulnerable citizens in the first quarter of next year, says Deutsche Bank.

Vaccinating the over-65s would go a long way to allowing economies to reopen, as it would significantly reduce the strain on hospitals. Herd immunity would be even better. It is not yet certain whether the vaccines stop transmission, rather than just symptoms of the disease – though a reduction in asymptomatic infections in the Oxford vaccine trial was encouraging. If they did, two-thirds of the population might need to be vaccinated, assuming the jabs were 90 per cent effective.

That is a high hurdle, and it could well be even higher. But vaccine

production will be steeply ramped up in the coming months. Optimists can argue that some countries – the US, UK, Canada and Japan – might reach herd immunity by the middle of the year.

Crédit Agricole/Creval: cross fit

European regulators want cross-border mergers to create institutions better able to compete with US franchises. French banks with international arms have the heft to make offers. Crédit Agricole delivered something resembling such a deal yesterday with a €737m all-cash offer for Italy's Credito Valtellinese. But this is not what the market wanted. Buying Creval is far less ambitious than Crédit Agricole's rumoured interest in Italy's Banco BPM. A tie-up with BPM, Italy's third-largest lender, would have secured the country's number two slot. Creval raises its Italian assets up just one notch to number six. With Crédit Agricole tied up, a big cross-border deal looks less likely. Italian banking may instead follow Spain's model and pursue domestic consolidation.

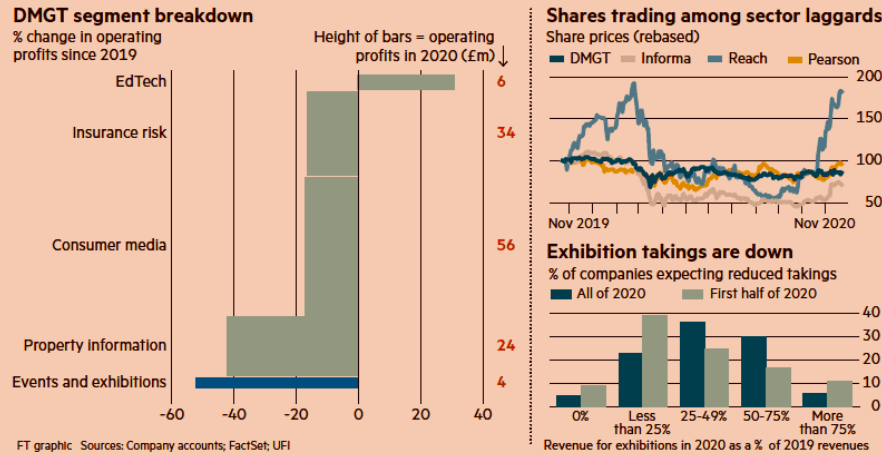
Crédit Agricole will pay €10.50 per Creval share – a 21 per cent premium to Friday's closing price. That is only a hair over 0.4 times Creval's tangible book value. Even so, Creval investors will probably accept. They know its bank lacks scale and capital in an overbanked market. Increased exposure to the north of Italy will mean opportunities, including cross-selling from Crédit Agricole's Amundi unit. Cost savings should help achieve an expected return on investment of 10 per cent by the third year.

The deal has minimal impact on capital. It will shave 20 basis points from Crédit Agricole's common equity tier one ratio of 12.6 per cent, thinks Citigroup. New legislation on deferred tax assets may push that figure lower still. But a deal with Banco BPM would have pushed CET1 down to 11.8 per cent, while swelling non-performing loan exposures in Italy to almost 9 per cent. With Creval, the figure is 6.6 per cent and should move closer to 5 per cent after the deal completes.

A cautious pace of international expansion may not suit pan-European

DMGT: mail drop

DMGT's media portfolio exposes it to some of the sectors worst hit by the pandemic. Its shares have traded among the lower half of its peer group. Conferences canned by Covid-19 mean the sector's revenues will be scythed this year.



Newspaper readers may be consuming more news during the pandemic but advertisers are in retreat. The gift of life – as the Daily Mail hailed the latest coronavirus vaccine to win approval – could change all that. Shares in DMGT bumped up a couple of percentage points yesterday after the Daily Mail owner raised its dividend.

DMGT, whose controlling shareholder is Lord Rothermere, has been hit on several fronts. Events and exhibitions, a £119m business last year, have given way to webinars and other online versions that entail less travel, less networking and less spending. Revenues this year were two-thirds of last time and adjusted operating profit came in at just £4m.

Profits from property data halved. Having already flagged ballpark numbers, the media group reported revenues of £1.2bn in the year to the end of September, down by a 10th, and pre-tax profit slashed by a third to £72m. But the newspaper proprietor is struggling to share a read-through for the current year: divisions are variously expected to face volatility, challenges or simply to “lack visibility”. Undeterred, DMGT is keeping the faith. Its record of 30 years and counting of progressive dividend policy remains unbroken with a final payout of £37.7m, or 16.6p a share. It is also continuing to invest. One 10th of revenues will be funnelled into operating expenditure this year, in line with its projected minimum levels of

5 per cent a year. This time, “significant” investment is earmarked for property information and education technology. Both would appear to face an uncertain 2021 with real estate transactions shaky and US education budgets constrained. DMGT's product is more marketing than course content. In its favour, its conference arm is more about exhibitions for heavy industry – much harder to migrate online – and two big shows are lined up for this fiscal year. The much derided (and much read) Mail Online has been profitable since April 2018. Along with Reach, it is among the cheapest picks on the newsstand. That makes it well worth a look if vaccines do bring back normal life.

regulators. But Crédit Agricole shareholders should welcome its gradual approach.

Lufax/short sellers: from hot to not

China's largest finance groups have had a tough month. Lufax, China's second-biggest online lender and an offshoot of insurer Ping An, listed in the US on October 30. Shortly afterwards, the listing plans of Ant, which is backed by Alibaba, were halted. Lufax made it on to the market, but that does not mean it escaped pain-free.

In just three weeks Lufax has gone from hot tip to short sellers' target. Shares are down more than a quarter

in the past week alone. Short positions have jumped more than sixfold since Ant's listing was suspended.

The shorts have a point. US threats to delist Chinese companies that do not follow US auditing rules were already hanging over Lufax. Its struggles at home are more worrying. Chinese regulators are tightening controls on lending rates. They are also investigating Lufax's micro loans platform, which is accused of violating rules including bundling in Ping An insurance products.

Lufax, which started as a peer-to-peer lender, is no stranger to regulatory risks. A crackdown in 2017 resulted in it cutting down the number of lenders on its platform from more than 5,000 to just three. That pushed back its planned listing by years.

Revenues have since shifted to a more stable mix of retail loans and wealth management. Yet shares trade at 18 times forward earnings – a 70 per cent premium to regional peers. This reflects expectations that Lufax and backer Ping An have invested in tech that will one day send sales rocketing. Such ambitions will now be on the backburner. China's regulatory shift raises the risk of a drop-off in users. Valuations of Chinese fintech companies are due a revision – though they will stay higher than traditional insurance and banking peers.

Tencent, another tech group, spent years fighting regulation against its games. It was eventually successful. But even after that it took the company nearly two years for shares to return to pre-crackdown levels.

Bitcoin: unstable coin

When cash is trash, risk-on investments gain. Persistent low interest rates are the supposed rational explanation for continued interest in bitcoin. But there is little rational about cryptocurrencies. The digital currency has surged 156 per cent so far this year. It traded as high as \$18,835 last week, according to Coindesk. That leaves it about 4 per cent below its all-time high of \$19,666 set in December 2017.

The return of bitcoin mania, after a spectacular crash in 2018, has led to some big-name cheerleaders to put their hands in, fuelling a further price rise. Square, the US payments company, bought \$50m-worth of the bitcoin last month. The company, which launched bitcoin trading in 2018 with Cash App, said the investment would allow it to “learn and participate [in bitcoin trading] in a disciplined way”.

Rival PayPal followed with its own investment weeks later. Starting this month, US users can buy, hold and sell bitcoins in their digital wallets. In 2021, it plans to expand the service to Venmo and allow the 26m merchants that use PayPal to accept bitcoin for payment.

You cannot blame the two companies for jumping on the bandwagon. The market capitalisation for the top 100 cryptos is now \$551bn, with bitcoin accounting for 62 per cent of that, according to website CoinMarketCap. For all the volatility and lack of underpinnings, cryptocurrencies have become a sizeable industry.

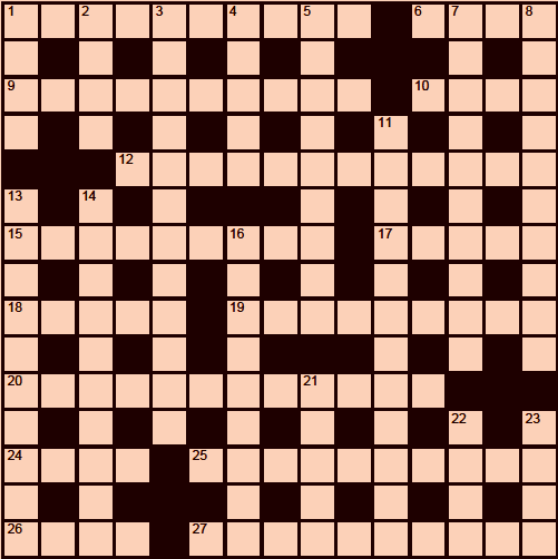
Fans like to point to bitcoin's 21m supply limit as a hedge against inflation similar to gold. Critics deride it as little more than a glorified Ponzi scheme.

But there is a difference between servicing and investing in bitcoin. For the likes of PayPal and Square, whether prices continue to go up is irrelevant. There is also value in what can be learnt from bitcoin's underlying technology works. With market caps of \$231bn and \$93bn respectively, PayPal and Square can afford to make minor forays into bitcoin – modern epitome of a speculative asset bubble or not.

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- ACROSS**
- 1 Significant difference, says political grouping (4,6)
 - 6 Couple I encountered on return (4)
 - 9 Work on rail cuts – of high frequency (10)
 - 10 Go by mountain route (4)
 - 12 Stay, we hear, with long-serving guy reserving time for athlete (6,6)
 - 15 Height of joy welcoming European Quintet (9)
 - 17 Freight vehicle journey (5)
 - 18 Exclusive cartel, it endures to some extent (5)
 - 19 Wealth from introducing Premier League, English, with United playing (9)
 - 20 Position of power of Polish Order, very odd (12)
 - 24 No longer associated with American test (4)
 - 25 Misrepresentation about artist is mass belief (10)
 - 26 Fellow's article coming to nought (4)
 - 27 Apartment group welcoming note using sweet talk (10)
- DOWN**
- 1 Unhappy as book's swapped for good adhesive (4)
 - 2 Instrument in sack, you say? (4)
 - 3 Chef with day's meal in mess showing embarrassment (12)
 - 4 Included in team on green missing some (5)
 - 5 Being ordered – exit scene (9)
 - 7 Disloyal characteristic, indecorous? Not half! (10)
 - 8 Thought about hotel space – building grew rapidly (10)
 - 11 Discern subtle indirect aims (12)
 - 13 Inclination to pack eastern novel, after review, friendly (10)
 - 14 Reverse move to freedom being planned? (10)
 - 16 Just communicate – finally on regular basis (9)
 - 21 Determined to describe the foreign snow, partly melted (5)
 - 22 By sound of it, important small fruit (4)
 - 23 Seem vacuous, posh, grand, complacent (4)

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